

1988

Twenty-eighth
Annual Report
of the
European Free Trade
Association



Geneva, May 1989

1988

Twenty-eighth
Annual Report
of the
European Free Trade
Association

Geneva, May 1989

Twenty-eighth Annual Report 1988

Table of contents

	Page
EFTA IN 1988	5
DEVELOPING THE EUROPEAN ECONOMIC SPACE	10
Technical barriers to trade	10
(a) Standards	11
(b) Technical regulations	11
(c) The new approach	11
(d) Test results and certificates	11
Simplifying the rules of origin: cumulation	12
invoice declarations	12
Computerising administrative procedures	13
Abolishing export restrictions	13
Public procurement	13
Government aid	14
Telecommunications equipment and services	14
Processed agricultural products	14
Veterinary and phytosanitary controls	15
Liability for defective products	15
Trade in counterfeit goods	15
Semiconductors	16
Biotechnological inventions	16
Trade marks	16
Copyright	16
Indirect taxation	17

The Lugano Convention	17
Financial services	18
Land transport	18
Civil aviation..	19
New computerised technologies and services	19
Liberalisation of capital movements	19
Exchange of information on the economic situation	19
Education	20
Protection of the environment	20
Research and development	20
Company law	21
Consumer protection	21
Social policy aspects	21
Suspension of duties on imports from Spain	22
FUNCTIONING OF THE ASSOCIATION	23
Committees and working methods	23
Annual review of trade in agricultural products	24
Liberalisation of intra-EFTA trade in fish	25
EFTA Industrial Development Fund for Portugal	25
Relations with Yugoslavia	26
Relations with other international organisations	27
New Secretary-General takes up post	28
Finance	28
Secretariat	28
Secretariat office opened in Brussels	29
APPENDIX:	
Joint declaration from the ministerial meeting between the European Community and its member states and the member states of EFTA, Brussels, 2 February 1988	31
Communiqué from the ministerial meeting of the EFTA Council Tampere, 14 and 15 June 1988	34
Joint conclusions of the meeting between EFTA Ministers and the EC Commission Tampere, 15 June 1988	37
Communiqué from the ministerial meeting of the EFTA Council Geneva, 28 and 29 November 1988	45
Joint communiqué from the meeting between EFTA Ministers and the EC Commission Geneva, 29 November 1988	48

EFTA in 1988

EFTA concentrated its work during 1988 on its contribution to the development of the European Economic Space (EES). Geographically, this is the area that consists of all six EFTA countries and all the twelve countries of the European Community. In terms of international trade, the eighteen countries were transformed, step by step between 1973 and 1984, into a free trade area for industrial products, the largest free trade area in the world. Since then, an increasingly active process of negotiations is serving to complement the free trade system. Its guiding principle is the Luxembourg Declaration, the joint commitment and programme which was adopted in 1984 by Ministers from all eighteen countries. Its goal is the creation of a single European Economic Space, covering the same geographical area but involving cooperation in many forms of economic activity in addition to trade in goods.

Four years after the adoption of the Luxembourg Declaration there was a second meeting, in Brussels on 2 February 1988, of Ministers from the EFTA countries and from the member states, and the Commission, of the European Community. They reviewed the cooperation between the EFTA countries and the EC in the previous four years, recognised that the time was ripe for some specific new steps to be taken, and singled out areas for progress. They explicitly recognised that the realisation of a dynamic European Economic Space is an ongoing process based on the Luxembourg Declaration and on subsequent instruments of cooperation and expressions of political will. The Ministers expressed their determination to contribute to further progress in all fields mentioned in the Declaration. In that process the Community will take full account of the implementation of its Single European Act. The text of the joint declaration from the Brussels meeting is given in the Appendix to this Report.

The EFTA Ministers had two meetings during the year with Mr Willy De Clercq, the Member of the EC Commission responsible for external relations and trade policy. The first of the meetings, held in Tampere in June, was the latest of the annual joint spring meetings; the second, in



Willy De Clercq, Member of the EC Commission, and Pertti Salolainen, Chairman of the EFTA Council for the first six months of 1988.

Geneva in November, was the last in which Mr De Clercq participated as a Commission member. The discussions and decisions taken on these two occasions served to advance the cooperation between the two groups. The texts of the conclusions reached are also included in the Appendix.

The free movement of industrial goods within the free trade area was strengthened in several ways during the year. Two multilateral conventions concluded in 1987 entered into effect on 1 January 1988, one introducing a single administrative document to replace a multitude of national documents used for trade between EFTA countries and the EC, the other bringing in a uniform procedure for the customs treatment of goods in transit. An important simplification of the origin rules for EFTA-EC trade was achieved through agreement—effective from 1 January 1989—to alter the cumulation provisions in order to take better account of the division of labour in modern manufacturing industries. This change was expected to facilitate trade in Western Europe considerably and enable traders to reap the full benefits of free trade in the EES.

A key step towards the removal of a wide range of technical barriers to trade was taken in June when the EFTA countries signed a convention—the Tampere Convention—for the “reciprocal recognition of test results and proofs of conformity”. This serves as an umbrella for sectoral agreements and obliges the EFTA countries to recognise, under specified conditions, the results of tests performed in another EFTA country to ensure that particular types of product conform to the relevant standards or technical requirements. This presupposes a certain harmonisation of national requirements. During the year EFTA began to work on the formulation of separate agreements to permit the reciprocal recognition of test results in particular sectors. These sectoral agreements are expected to provide a basis for arrangements that would produce the same effects between the EFTA countries and the EC. Progress in this respect is an important complement to the continuing work on the harmonisation of standards and technical requirements within the EES.

From 1 July 1988 the possibilities of harmonising national technical requirements in the EFTA countries at least were strengthened with the coming into force of a new Article—12 bis—in the EFTA Convention. The article requires notification at the earliest practical stage of any changes proposed in technical regulations or in certification systems relating to technical regulations. This applies not only to industrial products but also to agricultural and marine products. The procedure involved allows time for interested parties to discuss possible changes in the requirements if there is a risk of restricting trade. The new, binding obligation to notify changes cleared the way for negotiations to begin in September for a joint agreement with the EC.

In November 1988 a new interpretation of EFTA’s rules on government aid—essentially, Article 13 of the Stockholm Convention—was adopted at a ministerial meeting of the EFTA Council. Replacing an earlier explanatory text dating from 1968, the new interpretation is intended to ensure that government aids do not constitute barriers to trade by creating unfair

conditions of competition between the EFTA countries. It accordingly sets out detailed criteria for assessing any trade-distorting effects of aid measures actually used in EFTA countries. It deals specifically with such aspects as aid to research and development, measures to rationalise the structure of an industry or to create new job opportunities, the injection of equity capital, general assistance to export promotion, regional development measures, and aid given for environmental purposes. In conjunction with the new procedure for the compulsory notification of plans to introduce new aid measures, which came into use in EFTA during the year, the new understanding of the EFTA rules permits a more precise evaluation of



The EFTA Ministers at their meeting in Geneva in November 1988. Left to right: Jón Baldvin Hannibalsson, Minister for Foreign Affairs, Iceland; Pertti Salolainen, Minister for Foreign Trade, Finland; Ms Anita Gradin, Minister for Foreign Trade, Sweden; Jan Balstad, Minister for Trade and Shipping, Norway; Robert Graf, Minister for Economic Affairs, Austria, and Chairman of the ministerial Council; Jean-Pascal Delamuraz, Federal Councillor, Head of the Department of Public Economy, Switzerland; Georg Reisch, Secretary-General of EFTA and René Ritter, Member of Government, Liechtenstein. (Photo Eric J. Aldag.)

the nature and impact of actual government measures. It is worth noting that in drawing up the terms of the new interpretation the Committee of Trade Experts paid particular attention to ensuring compatibility with relevant rules and regulations of the EC while respecting the institutional differences between EFTA and the EC.

On the same occasion the EFTA Ministers agreed that intensive work would be required in EFTA to prepare for a common arrangement with the EC for avoiding trade-distorting government aid measures within the European Economic Space. They also instructed the experts to continue to examine the question of the surveillance and enforcement of the rules of government aid. Moreover, they asked the Secretariat to prepare a report to Ministers in 1989 on the effectiveness of the new notification procedure.

Work began during the year on a revision of the rules in EFTA on public procurement: Article 14 of the EFTA Convention. Here also the interest is in having a system that is compatible with and equivalent to that of the

EC. The economic importance of the goods and services purchased by public authorities has been estimated to amount to as much as 15 per cent of gross domestic product. Hence the attention being given to the opening up of the public procurement markets to competition. A first step towards the opening up of these markets has been taken by the inclusion in the EC's TED electronic data bank of invitations to tender for contracts in the EFTA countries. In EFTA the Committee of Trade Experts outlined a proposal for a new system of rules for EFTA. This was noted in November by the Council at ministerial level which endorsed the Committee's approach, including its handling of questions of surveillance and enforcement and its general aim of a maximum alignment with the new EC rules. The new requirements will be designed to be compatible with, and equivalent to, the EC's own system and should thus provide a basis for a future arrangement with the EC. The ultimate goal is to open up the public procurement markets throughout the European Economic Space, in order to permit the widest competition on equal terms between firms for contracts to supply goods or services to government bodies.

Legal aspects of the development of cooperation between the EFTA countries and the European Community became increasingly prominent in the course of the year. One indication of this was the conclusion, in Lugano in September, of an international convention designed to introduce identical rules for international jurisdiction, and simplified procedures for the enforcement of judgments, throughout the European Economic Space. The convention was recognised by the EFTA countries and the EC Commission as an important step towards the strengthening of the legal framework for EC-EFTA relations.

The growth in EFTA and EC cooperation led to a recognition of the importance of having compatible legislation in the EFTA countries and in the EC in an increasing number of fields. The EFTA countries therefore agreed on the need for an efficient system for the exchange of information on legislative proposals at an early stage in their preparation. Moreover, greater attention began to be given to the supervision and enforcement of agreements concluded or under discussion between EFTA and the EC.

Other highlights of the year, described elsewhere in this report, included the start of negotiations to liberalise trade in fish within EFTA—a task undertaken by a working group at the level of Under-Secretary of State; and a decision to maintain the finance available to the EFTA Fund for the industrial development of Portugal at a high level by postponing the scheduled gradual repayment of the original capital of the Fund.

In 1988 the Norwegian Prime Minister, Mrs Gro Harlem Brundtland, proposed that the heads of government of the EFTA countries should meet in Oslo in March 1989 to discuss the broader political and economic aspects of European integration and to consider how EFTA could contribute most constructively to that process.

Developing the European Economic Space

At a meeting in Geneva in November 1988 the EFTA Ministers and Mr Willy De Clercq*, the Member of the EC Commission responsible for external relations and trade policy, drew the following conclusions about the current state of cooperation. They noted that "the intensified contacts and substantial achievements, as well as the cooperation envisaged for the future at all levels, reflect the special relationship between the EC and the EFTA countries which should be further developed. The Ministers reaffirmed their determination to consolidate and strengthen cooperation in the context of the European Economic Space at the same time as the Community progresses towards the completion of the Single Market by 1992. They underlined the need to achieve further concrete results. This common task requires increased efforts with regard to an early exchange of information and views and cooperation between the EC and EFTA countries. This latter should include, whenever appropriate, agreements based on compatible and equivalent legislation in the EC and EFTA countries."

Technical barriers to trade

EFTA-EC cooperation with regard to technical barriers to trade is designed to prevent or remove obstacles which impede trade particularly after the elimination of tariffs and quotas on industrial goods. That stage was reached in 1984 in what is now referred to as the European Economic Space.

The work going on concerns standards and technical regulations as well as the testing and certification of imported products.

* Mr Frans Andriessen succeeded Mr De Clercq in the new Commission which took office in January 1989.

(a) Standards

Since 1984 the EFTA countries have been applying a new procedure, initiated by the EC, for exchanging advance information on draft standards and standardisation programmes. In the absence of broader international standards, mandates for the working out of European standards continue to be given to two European standards-writing institutions, CEN for non-electrical products and Cenelec for electrical. EFTA and EC also continued to cooperate in the development and application of a standardisation programme for information technology and telecommunications.

(b) Technical regulations

The introduction in EFTA, with effect from 1 July 1988, of a new and legally binding obligation to provide advance notification of drafts of new or amended technical regulations for products of any kind cleared the way for negotiations on a joint EFTA-EC agreement. The negotiations opened in September 1988.

(c) The new approach

In a new approach to the harmonisation of technical requirements the Commission lays down the essential safety requirements in the form of directives and leaves the working out of technical specifications to CEN or Cenelec. EFTA and EC experts have been discussing the application of the new approach to a number of types of product including low voltage electrical appliances, simple pressure vessels, toys and construction materials. Similar efforts are being made with regard to telecommunications equipment. The aim here is to arrive at compatible legislation throughout EFTA and the EC for the purpose of obtaining the free circulation of these categories of goods.

(d) Test results and certificates

As a step towards the mutual recognition of test results and certificates throughout the EFTA-EC area, Ministers from the EFTA countries signed a convention—the Tampere Convention—for the mutual recognition of test results and proofs of conformity in Tampere, Finland, in June 1988. At a meeting on the same day between the EFTA Ministers and the EC Commissioner for External Relations, the signing was acknowledged as a welcome step in preparing the ground for the opening of negotiations for agreements with the Community. These agreements would be an important extension of the fruitful EFTA-EC cooperation on standardisation and technical regulations.



EFTA Ministers signing the Convention for the mutual recognition of test results and proofs of conformity in EFTA, in Tampere.

Work was begun in 1988 on the preparation of sectoral agreements between the EFTA countries that would cover construction products and pressure vessels. These should provide a basis for bridging arrangements with the EC; arrangements, that is, that would produce the same effects both in the EFTA countries and in the EC.

At the technical level EFTA-EC cooperation in the field of the mutual recognition of test results and certificates had reached an advanced stage by the end of 1988.

Simplifying the rules of origin: cumulation

The origin rules in the free trade agreements between the EFTA countries and the EC determine which products are duty-free in EFTA-EC trade. They have been simplified in various ways since they first came into effect in 1973. More recently, discussions on simplifying them have mainly concerned goods—engineering products, for example—which contain parts and components produced in more than one country. For manufactures which in that sense are of cumulative origin an agreement was reached in October 1988 which enlarges the possibility of using parts or components that originate in any country in the free trade area. The new rule came into effect from 1 January 1989. It should simplify the origin system both for firms—by leaving them free to decide on the composition of their products—and for the customs authorities.

Simplifying the rules of origin: invoice declarations

Since 1 January 1988 exporters who make frequent shipments, and who can provide the guarantees necessary for the verification of the origin of the goods, may be permitted by the national customs authorities to make a declaration of origin on the normal commercial invoice, instead of making separate certificates of origin for each consignment.

Computerising administrative procedures

By devising the Single Administrative Document (SAD), which came into force on 1 January 1988, EFTA and the EC opened the way for the computerised transmission of customs declarations in the future. A joint meeting in November 1988 at expert level discussed the form and possible content of such a declaration.

In addition, EFTA and EC worked together on the formulation of common technical standards for electronic data interchange (EDI) in the framework of the EDIFACT project which is being developed in the United Nations Economic Commission for Europe.

Moreover, preparations are being made for the participation of the EFTA countries in the Community's TEDIS programme. This programme is designed to provide a framework for the coordination of activities in the EDI field including the efforts to make commercial enterprises aware of developments concerning the electronic transfer of trade data.

Abolishing export restrictions

Quantitative import restrictions in EFTA-EC trade were abolished in virtue of the free trade agreements of 1972. Quantitative export restrictions, which may be applied to ensure that adequate supplies of raw materials are available for the needs of domestic industries, were not affected. In June 1988 negotiations were begun to extend the scope of the agreements by prohibiting export restrictions also. The negotiations were successfully concluded in January 1989.

Public procurement

A proposal for a new set of EFTA rules on public procurement reached an advanced stage of preparation in 1988. The new rules will give particular attention to the need to be able to ensure that the rules are observed and enforced. The intention is that the new requirements will be compatible with and equivalent to the EC's own system and thus provide a basis for a future agreement with the EC. The ultimate aim is to open up the substantial public procurement markets throughout the EES, permitting the widest competition between firms for contracts to supply goods or services to government bodies.

All EFTA countries were ready to start publishing tender notices in the TED electronic data bank of the EC from 1 January 1989. (Sweden has been doing so since 1987.)

Government aid

In accordance with a procedure adopted in November 1987 the EFTA governments are obliged to notify each other in advance of any new or changed measures for government aid to industry. They began to do so in 1988. The notifications are subject to scrutiny and comment.

In Tampere in June 1988 the EFTA Ministers and the EC Commissioner for External Relations agreed that notifications would be exchanged between the EFTA Secretariat and the EC Commission; that each side would consider any opinions expressed by the other side on these notifications; and that there would be an annual exchange of views on developments in policies relating to aid. EFTA and EC have already begun to exchange notifications.

At their meeting in Geneva in November 1988 EFTA Ministers agreed on a new interpretation of Article 13 of the EFTA Convention. This interpretation sets out criteria for assessing the possible trade-distorting effects of government aid measures used in EFTA countries. This is seen as a step towards an agreement that would enable the two sides to cooperate in removing government aid that distorts trade flows between them. EFTA experts have begun to work out improved methods of surveillance and enforcement of the EFTA rules on government aid.

Telecommunications equipment and services

Possibilities for cooperation between EFTA and EC in the telecommunications field are being sought. The starting point is the EC Green Paper of June 1987 on the development of the common market for telecommunications equipment and services. Because of the economic importance of the telecommunications sector and its contribution to the growth of new industries and services, there have been informal contacts between EFTA and the EC to elucidate national and Community policies in this field and to identify areas of common interest. Aspects of potential interest for cooperation include the liberalisation of the market for telecommunications terminals, reciprocal access to public procurement markets, reciprocal access to, and use of, the public telecommunications infrastructure and services, and standardisation work in telecommunications equipment.

Processed agricultural products

Although the free trade agreements between the EFTA countries and the EC do not concern trade in agricultural products, there are special rules relating to goods produced from agricultural raw materials. The rules appear in Protocol No. 2 to the free trade agreements. (Similar provisions are contained in Annex D to the Stockholm Convention.) The protocol

permits the use of measures to compensate for differences in raw material prices. At Tampere in June 1988 agreement was reached on a procedure for an exchange of information on compensation measures, the objective being to increase the transparency of the national systems.

Letters to this effect were signed by officials and exchanged on the occasion of the November 1988 meeting in Geneva between EFTA Ministers and the EC Commissioner for External Relations. The notification system came into force on 1 January 1989.

Veterinary and phytosanitary controls

High officials from the EFTA countries and the EC Commission agreed that experts should meet to exchange information on national legislation concerning veterinary and phytosanitary controls. The purpose is to identify areas for EFTA-EC cooperation with the aim of removing any obstacles to trade that might arise from controls relating to animal or plant health. A first meeting was held in January 1989.

Liability for defective products

Experts from the EFTA countries and the EC Commission are in agreement that differences in legislation on the liability for defective products could amount to trade barriers and could distort the conditions of competition. Since new legislation on this subject is being implemented throughout the EC, and since most EFTA countries have adopted or are preparing similar laws, it was agreed at a joint expert meeting in May 1988 that cooperation at this stage should concentrate on the question of the source of the liability for imported products: should it be the importer as well or only the producer who is liable? The view of the EC Commission was that the EFTA countries would need to be able to guarantee an enforcement system equivalent to that of the EC.

It was found that a possible way of solving this problem would be to make use in due course of the convention, then under negotiation, on jurisdiction and the enforcement of judgments in civil and commercial matters: the Lugano Convention which was concluded on 16 September 1988. See below: "The Lugano Convention".

Trade in counterfeit goods

The growth of international trade in close imitations and copies of various consumer goods reduces the market of the producer of the original and undermines confidence in his product. The EFTA countries and the European Community are firmly committed, as was stated in Tampere, to cooperating in opposing trade in counterfeit goods. They therefore agreed

on that occasion to exchange information on the relevant national legislation. New regulations came into force in the EC at the beginning of 1988 and the EFTA countries are preparing to introduce national laws with equivalent effect. Experts are considering the purpose and content of a possible multilateral agreement between the EFTA countries and the EC to stop the import of counterfeit articles. In that context ways of combating trade in counterfeit goods within the European Economic Space have been considered.

Semiconductors

Cooperation between EFTA and EC in the field of semiconductors is designed to provide an international protection similar to a copyright for the creative ingredient in new semiconductors, which are the keys to advances in high-technology industries. Following the lead taken by the United States, the EC Council adopted a Directive in December 1986 to protect rights in the topographies of semiconductors within the EC. So far, a majority of the EC countries have implemented the Directive. Two EFTA countries, Austria and Sweden, have enacted similar legislation and others are preparing to do so. The EC has extended the protection of topographies of semiconductors to nationals of the EFTA countries. The extension applies to companies and legal persons only if there is reciprocal protection for the benefit of EC companies. The EFTA countries have undertaken to provide for reciprocal protection.

Biotechnological inventions

The legal protection of biotechnological inventions is another subject for EFTA-EC cooperation. The underlying questions in this field are very controversial but the EC Commission's presentation of a draft directive in October 1988 will provide a basis for discussions between experts.

Trade marks

EFTA and EC experts exchanged views on the latest EC proposals concerning a Community trade mark and the question of the link between the EC system and the worldwide Madrid agreement which will be revised at a diplomatic conference in June 1989 to permit the integration of the Community system into it.

Copyright

Comments on the EC Commission's Green Paper on copyright, published in June 1988, were presented to the Commission by EFTA experts in the autumn of 1988.

Indirect taxation

Possibilities of cooperative action in matters of indirect taxation were discussed at joint meetings of experts in November 1987 and April 1988. The matters to which attention is being given in the first place are indirect taxes connected with the movement of goods across national borders: with the removal of household goods, for example, or the temporary import of goods (though not of cars or other means of transport).

The Lugano Convention

A convention which introduces identical rules in EFTA and the EC for international jurisdiction and simplified procedures for the enforcement of judgments throughout the European Economic Space was concluded in Lugano, Switzerland, on 16 September 1988. Seven of the EC countries and five of the EFTA members had signed the Convention by early 1989.



Mrs Elisabeth Kopp, Federal Councillor, Head of the Swiss Federal Justice and Police Department, signing the Convention on jurisdiction in civil and commercial matters, in Lugano in September 1988.

It will come into force as soon as one EFTA country and one EC country have ratified it. The new convention extends to the EFTA countries the substance of the Brussels Convention that was concluded in 1968 by the member states of the EC.

One consequence of the Convention will be that a person who has been awarded damages or any other form of redress in a court in his own country will find it easier to have the judgment put into effect even if the defendant is resident in another EFTA or EC country. Similarly it will be possible for a consumer to go to a court in his own country and sue a foreign producer over a product which is defective or has caused harm.

Financial services

The importance of financial services in the process of European cooperation was stressed by EFTA Ministers and the EC Commissioner for External Relations at their meeting in Tampere. Experts from the two sides had already begun to look for specific areas for cooperation, the general purpose being to work towards an equivalence in the regulations that govern the provision of financial services in the EC and in EFTA countries.

Attention was given first to the regulations concerning the layout and contents of the statutory accounts of banks, the "own funds" and solvency ratios of banks, the requirements for listing securities on stock exchanges, and unit trusts (more strictly UCITS, Undertakings for Collective Investment in Transferable Securities). The main aspects of the EC proposal for a second banking directive, in particular the treatment proposed for third countries, were examined. The range of financial services on which information is exchanged is now being enlarged to include insurance.

On banks' accounts and on UCITS more detailed exploratory talks are to be started and will deal in particular with the possibilities of a mutual recognition of the accountancy standards that are in force in the EC and in the EFTA countries. Exploratory talks between Switzerland and the EC Commission have already begun in these two areas.

Land transport

Both in EFTA and in the EC it is recognised that a number of problems relating to transport need to be solved in a broad European context. So far as land transport is concerned discussions have already begun between the EC and Austria and between the EC and Switzerland on transit through the two Alpine countries in EFTA. There have also been discussions between the EC and the Nordic countries in EFTA on land transport.

Civil aviation

In June 1988 Norway and Sweden, which share an airline with Denmark, a member of the EC, asked for negotiations with the EC on the application to them of the EC's liberalisation measures. Following an exchange of information with the EC Commission the other four countries decided in the autumn to request the opening of negotiations with the EC.

New computerised technologies and services

As requested by High Officials from the EFTA countries in October 1988, EFTA experts have begun to look for possible areas for cooperation with the EC concerning services that are based on the application of new technologies. After surveying the field at a meeting on 4 November 1988 and taking into account the work going on in the EC, the experts found several potential matters of immediate interest: a greater use of standardisation to improve the conditions for transmitting and giving access to information services; a closer cooperation between the public and private sectors in the information market; and the EC's proposed code of conduct for relations between traders and the issuers of payment cards in the use of electronic means of payment.

Liberalisation of capital movements

The practical consequences for the EFTA countries of the EC's programme for liberalising capital movements by 1992 are being studied by a temporary working group which is to complete its report to the Economic Committee by June 1989.

The working group, established in July 1988, is analysing recent EC Directives concerning capital movements, the progress towards liberalisation in the EC and its consequences for the individual EC countries. A comparison will be made with developments in this field in the EFTA countries. The group will chart the major consequences and problems for the EFTA countries of a future financial integration in Western Europe resulting from a far-reaching liberalisation of capital movements in all eighteen countries. Finally issues of common EFTA interest are to be identified by the group in its report to the Economic Committee.

Exchange of information on the economic situation

Economic experts from the EFTA countries and the EC Commission continue to meet at least once a year to exchange information on the economic situation and economic policies. The aim is to identify ways of combating unemployment and promoting economic growth and international monetary stability. Recently there have been discussions on the

effects on EFTA and EC countries of the EC's programme for the completion of its internal market. The experts present recommendations on general economic policies for the joint meetings between the EFTA Ministers and the EC Commission.

Education

Experts from the EFTA countries and the EC discussed possibilities of cooperation in education at a second joint meeting in April 1988. The background was the common interest in investing in human resources through education, as a means of coping with change whether economic, technological or social.

The EC's COMETT programme is designed to strengthen cooperation between universities and firms with regard to training in technology. A second phase of the programme will start on 1 January 1990, according to an EC Council decision of December 1988. EFTA experts have considered the possible modalities for EFTA participation in order to prepare for exploratory talks with the EC on the participation of their countries in the second phase. The possibilities for participation by the EFTA countries in the ERASMUS programme for the exchange of university students will be examined later by experts from EFTA and EC. They will also exchange views on the mutual recognition of academic qualifications and periods of study abroad.

Environment

Senior environment officials from the EFTA countries met their counterparts from the EC countries in Munich in April 1988, in accordance with the programme for environmental cooperation that was agreed at a conference of environment ministers from all eighteen countries at Noordwijk (Netherlands) in October 1987. Under the programme three seminars on specific problems were organised in 1988: one in Rome in September on gas emissions and noise from heavy vehicles; one in Ispra (Italy) in November on climate change, and one in Opfikon (Switzerland) on phosphates in detergents. At a meeting of High Officials from the EFTA countries and the EC Commission in November 1988 the political priority attached to the condition of the environment was emphasised.

Research and development

All EFTA countries apart from Iceland have framework agreements concerning cooperation with the EC in research and development. These bilateral agreements set general conditions for the participation of companies and research institutions in the EFTA countries in EC industrial

research programmes which are designed to strengthen Europe's scientific and technological potential and thus reinforce the competitiveness of industry in Europe. Cooperation on a bilateral basis is considered to have progressed very well, quantitatively and qualitatively. A joint expert meeting is to be held in April 1989 to discuss an increase in EFTA-EC cooperation in the Community R&D programmes.

Research institutes and other bodies in the EFTA countries continue to take part in the EC's older research programme COST which covers cooperation in scientific and technical research rather than development work.

Company law

Experts from the EFTA countries met in December to consider the effects of EC directives and other proposals concerning company law on EFTA companies operating within the European Community. They will also discuss the relevant legislation in the EFTA countries. The meeting was a preparation for a first informal fact-finding meeting with experts from the EC Commission in March 1989.

Consumer protection

A new Sub-Committee of the Consultative Committee was set up in April 1988 to deal with consumer policy affairs. It has the task of studying possibilities for cooperation between EFTA and the EC on matters of consumer policy and of making recommendations on a number of consumer questions. The Sub-Committee met twice in 1988, exchanged information on such matters as the organisation of work on consumer policy matters in the EFTA countries, the exchange of information on dangers arising from the use of consumer products, and initiated informal contacts with the EC Commission. Another EFTA group consisting of government experts on consumer protection met for the first time in November and identified the following areas as the first priority in the contacts with the EC: product safety, new methods of payment, consumer credit, tourism, and unfair contract terms.

Social policy aspects

The importance of the social policy aspects of the single market of the EC, and of the European Economic Space, is recognised by the Community and by the EFTA countries. Both are in agreement that the exchange of information on these matters that was begun in 1988 should continue in 1989.

EFTA imports from Spain

New protocols to the free trade agreements between the EFTA countries and the EC have suspended most import duties on Spanish industrial products entering the EFTA countries. The protocols were initialled on 29 November 1988 by EFTA Ministers and the EC Commissioner for External Relations. Formally, they provided for the suspension of the duties once the ad valorem rate had fallen to 2 per cent or less.



Initialling additional protocols to the Free Trade Agreements in order to suspend duties on some imports from Spain. Left to right: Georg Reisch, Willy De Clercq, Member of the EC Commission, Robert Graf (Austria), Chairman, Pertti Salolainen (Finland) and Jón Baldvin Hannibalsson (Iceland).

Functioning of the Association

Committees and working methods

The work of the various standing committees was increasingly geared to specific elements of the cooperation between the EFTA countries and the European Community. The Committee on Technical Barriers to Trade continued to deal with the development of EFTA policies and actions in all matters relating to technical barriers, particularly the necessary preparations for cooperation with the EC. Much time was devoted to working out, and beginning to implement, a policy on certification. A growing number of expert groups and sub-groups of the TBT Committee concentrated on the harmonisation of standards or technical regulations for specific types of product, from medical devices to simple pressure vessels to toys. The Committee of Trade Experts devoted the major part of its time to such matters as public procurement policies, the removal of export restrictions, price compensation arrangements for processed agricultural products, aspects of government aid, and telecommunications. The work of the Committee of Origin and Customs Experts covered not only origin rules and other customs matters but also trade in counterfeit goods and aspects of indirect taxation. The Group of Legal Experts, set up in the previous year, presented a progress report to the Council in March on the first nine months of its examination of various legal questions arising in EFTA-EC cooperation and was asked to continue its work on the original lines and to consider some other specific aspects. The Economic Committee examined topical economic questions, and presented recommendations on general economic policies for the June meeting between the EFTA Ministers and the EC Commission. A working group of Economic Committee members examined the practical consequences of the EC programme for liberalising capital movements.

EFTA's Consultative Committee continued to review various aspects of the cooperation between EFTA and the EC and to follow developments in the Uruguay Round of multilateral trade negotiations in the GATT. Its

Economic and Social Sub-Committee, in its study of the implications for EFTA of the EC's programme for the completion of the internal market, presented a report on the transport sector. It later began to scrutinise the EC project for the creation of a European financial area.

A revision of the working methods of the Consultative Committee led to a Council Decision to permit the election of a chairman from among its members. The first to be elected, in October 1988, was Mr Olafur Davidsson of the Federation of Icelandic Industries. The chairman of the EFTA Council at ministerial level continues to preside at meetings of the Committee held in his presence or in the presence of ministers from all EFTA countries.

The Committee of Members of Parliament of the EFTA Countries met in May 1988 in Fribourg, Switzerland, where they reviewed EFTA-EC cooperation and other activities of the Association. Mr Gilbert Coutau (Liberal, Switzerland) was elected chairman. The Committee's working group on trade in fish and processed food products continued its work under the chairmanship of Mr Johan C. Løken (Conservative, Norway). In addition to giving impetus to the above-mentioned items, the Committee decided that the working group should also pursue consideration of the integration of agricultural and environment policies focusing mainly on trade aspects.

A delegation from the Committee of Members of Parliament of the EFTA Countries and the European Parliament's Committee on External Economic Relations—the REX Committee—met for the first time in February. A second joint meeting was held in November, at which an in-depth discussion was held on education and environment.

During the year, with the widening of the range of matters under discussion between the EFTA countries and the EC, the number of groups of experts and of other working groups examining specific questions continued to increase. No less than 28 were meeting by the end of the year, some working directly under particular standing committees. A group of experts on intellectual property rights was established to examine both general and specific aspects of the intellectual property rights that had hitherto been dealt with by separate groups (on semiconductors, biotechnological inventions, copyright, patents and trade marks).

Annual review of trade in agricultural products

Intra-EFTA trade in agricultural goods in 1986 was reviewed by the Council in April on the basis of a report prepared by the Secretariat. The review covered trade in those agricultural raw materials which were not subject to the removal of import duties in EFTA. Parts II and III of Annex D to the Convention list the products concerned: all agricultural raw materials and some goods produced by the processing of the raw materials.

The statistics showed that imports of agricultural products from all sources amounted to no more than about 6 per cent of all imports into

EFTA in 1986, and that agricultural products accounted for 2.0 per cent of total EFTA exports. In intra-EFTA trade agricultural goods formed only 2.0 per cent of imports.

Trade in fish

In June the EFTA Council at ministerial level agreed to set up a working group at the level of Under-Secretary of State to study concrete recommendations for a liberalisation of trade in fish. In doing so, the Ministers recalled the importance for EFTA of providing reciprocity to member states whose economies depend to a large extent on the export of fish and other marine products.

A year earlier, the Committee of Members of Parliament of the EFTA Countries had passed a unanimous resolution requesting EFTA ministers to take the necessary steps towards complete liberalisation of intra-EFTA trade over a period of four to five years, a request that was subsequently supported by the Consultative Committee.

The working group presented a progress report to the ministerial meeting of the Council in November. A final report is to be submitted for the June 1989 ministerial meeting. The working group is also to assess what distorting effects may arise from government aid given to the fishing industry in the EFTA countries.

EFTA Industrial Development Fund for Portugal

Assisted by the favourable development of the Portuguese economy in 1988 the EFTA Industrial Development Fund for Portugal continued to support new fixed investment in Portugal, particularly investment by small and medium-sized companies.

Between 1 February 1988, the beginning of the Fund's financial year, and the end of the calendar year 1988, the Fund approved 64 new loans with a total value of 5.46 billion escudos. Including finance from other sources the investment in these projects totalled about Esc. 20 billion. When completed, the projects will create 1,200 new jobs and provide greater job security for 14,800 persons.

This brought to 590 the number of loans approved by the Fund since it began to operate in February 1977. The cumulative value of the credits granted amounted to Esc. 33.6 billion, the Fund's contribution to a total investment of Esc. 96 billion. The projects thus financed created 6,400 new jobs and increased the security of about 85,000 existing ones.

In almost twelve years of activity the Fund has provided financial support in virtually all main sectors of the Portuguese economy. All districts of continental Portugal, and the Azores and Madeira as well, have been beneficiaries of the EFTA Fund.

To enable the Fund to maintain the higher level of investment activity of the past few years, the EFTA Council at ministerial level agreed in June that the repayment of the Fund's initial capital of 84,604,516 Special Drawing Rights should be postponed until the last five years rather than being repaid in the last fifteen years of the Fund's life. Repayments will thus not begin to be due before 1998.

During the year the rules of procedure of the Fund's Steering Committee were changed to enable it to hold its meetings not only in Portugal or at the EFTA headquarters in Geneva but also in any EFTA country. Such meetings would make the Fund better known in individual EFTA countries and help it to become a still more effective link between the economies of the EFTA countries and the Portuguese economy.

Generally accepted banking principles continued to be the basis for the Fund's lending activities. Specially favourable conditions were available, however, for projects that helped particularly to develop less developed regions, to create employment and to conserve energy. Interest rate rebates were given in the case of projects that introduced technological innovation. In such ways the Fund continued to contribute to the growth of employment and to the competitiveness of industry in Portugal.

The granting of credits was supplemented by a well established programme of management training with courses in several regions of Portugal. The programme has contributed to the training of about one thousand managers and other key personnel in small and medium-sized Portuguese enterprises.

Relations with Yugoslavia

The Joint EFTA-Yugoslavia Committee held its twelfth meeting in Graz, Austria, from 21 to 23 September.

The head of the Yugoslav delegation explained the economic reforms that were under way in his country. The EFTA side noted with interest that the reforms aimed at a more market-oriented opening of the Yugoslav economy.

Recalling the Declaration adopted by ministers from the EFTA countries and Yugoslavia in Bergen in 1983, the Joint Committee reviewed developments in the four fields selected then for cooperation: trade, industrial cooperation, tourism and transport.

On trade promotion the Committee noted with satisfaction that for the third year in succession EFTA had participated in the Zagreb International Autumn Fair in September. EFTA would again be present at the 1989 Fair. The EFTA side undertook to consider the invitation from the organisers of the Fair for EFTA to be present also in 1990 in the larger role of a "country partner".

In response to a Yugoslav proposal at the 1987 meeting of the Joint Committee, a market research study on specific Yugoslav export products

was jointly carried out by the Foreign Trade Research Institute in Belgrade and the Center for International Business in Bergen, Norway. A presentation of the study was made at the 1988 meeting.

The Committee agreed to consider the holding of a business conference in 1989 after the adoption of relevant new legislation in Yugoslavia. The conference would cover the latest developments in the Yugoslav economy and could deal with specific projects in the fields of science and technology and with specific proposals for industrial cooperation.

On industrial cooperation the Committee noted recent legislative proposals designed to increase foreign investment in Yugoslavia and decided that in due course an updated version would accordingly be published of the EFTA Secretariat's "Industrial Cooperation with Yugoslavia—Legal Aspects". This booklet—the work of a group of legal experts set up by the Joint Committee—is intended to encourage long-term industrial cooperation between companies in EFTA countries and enterprises in Yugoslavia.

A brochure which indicates the resources of more than sixty spas and other health resorts in Yugoslavia was published by the EFTA Secretariat during the year under the title "Tourism for Health Purposes—the resources of Yugoslavia".

The Committee noted the willingness expressed by EFTA Ministers at their meeting in Tampere to seek new ways and means for cooperation with Yugoslavia and to intensify cooperation under the Bergen Declaration. A working group was set up within EFTA for this purpose.

Relations with other international organisations

The EFTA countries continued to make frequent and intensive use of the EFTA framework for consultations on matters of common interest that were under discussion in other international economic organisations.

Particular attention was given to activities in the context of the General Agreement on Tariffs and Trade (GATT) and the Organisation for Economic Cooperation and Development (OECD). Consultation and cooperation were especially close and sustained in relation to the current Uruguay Round of multilateral trade negotiations in the GATT, particularly in the preparation for the mid-term review in Montreal in December.

Progress reports on EFTA's activities were presented to the May meeting of the Committee of Ministers of the Council of Europe by Mr Kalevi Sorsa, Finland's Minister for Foreign Affairs, and to the November meeting by Mr Alois Mock, Austria's Vice-Chancellor and Minister for Foreign Affairs.

The European Trade Union Confederation (ETUC) was represented at all three sessions of the Consultative Committee during the year. UNICE—

the Union of industrial and employers' confederations of Europe—was represented at the March and October sessions.

There were meetings during the year between the EFTA Secretariat and the secretariats of three other international organisations—the OECD (in October) the Council of Europe (in June) and the United Nations Economic Commission for Europe (in March). The meetings enable EFTA to take the work of these organisations more fully into account in its own activities.

The Secretary-General

Mr Georg Reisch took up the post of Secretary-General of EFTA on 16 April 1988, in succession to Mr Per Kleppe. His appointment had been announced at the ministerial meeting of the EFTA Council in May 1987. At that time he was Permanent Representative of Austria to EFTA and the other international organisations in Geneva.

Finance

EFTA's net expenditure for the financial year 1987-88 was 13,256,277 Swiss francs. For the current financial year, which began on 1 July 1988, the Council set a net budget of 16,520,100 francs to be financed by contributions from the EFTA countries. This budget is 21.8 per cent higher than the previous one, partly because of increased commitments for the development of European standardisation work.

The size of the contributions of the individual EFTA countries to the budget is determined by the relative size of their gross national products at factor costs. The basis for the contributions to the budgets for 1987-88 and 1988-89 was as follows, in percentages.

	<i>1987-88</i>	<i>1988-89</i>
Switzerland	28.33	28.50
Sweden	25.00	25.13
Austria	17.00	17.03
Norway	14.50	14.00
Finland	13.50	13.66
Iceland	1.67	1.68

Secretariat

At the end of December 1988 there were 44 officials in the professional category in the Secretariat, one of whom was employed on a half-time basis, and 39 general service staff members, four of whom were employed on a half-time basis.

Secretariat office in Brussels

An office of the EFTA Secretariat was opened in Brussels in April 1988. Under the responsibility of the Secretary-General it provides technical and secretariat services for EFTA activities in Brussels. Two staff members of the Secretariat are employed there, one in the professional category and one general service staff member.

Appendix

Ministerial meeting between the European Community, its Member States and the EFTA States on the Internal Market

Brussels, 2 February 1988

Joint Declaration

1. Ministers of the Member States and the Commission of the European Communities and Ministers of the States of the European Free Trade Association,

Aware of the special relationship between the European Communities and the EFTA countries which form jointly the world's largest and most advanced free trade area, encompassing more than a quarter of total world trade,

Aware of the growing importance of each other's markets and the increasing interdependence of their economies,

Aware of their responsibility for sustaining economic growth and creating employment in Western Europe and that the fragmentation of their markets among other factors is hampering the attainment of these goals,

Aware therefore of the need to consolidate and strengthen mutual co-operation at the same time as the EC progresses towards completion of its Internal Market,

Aware that in that context the reduction of economic and social disparities between their various regions should be aimed at,

met on 2 February 1988 in Brussels to discuss their co-operation on Internal Market matters on the basis of their commitment to the overall objective of creating a dynamic European Economic Space (EES) between the Community and EFTA countries as laid down in the joint EC-EFTA Declaration adopted in Luxembourg on 9 April 1984.

2. They welcomed the progress already achieved, particularly in such areas as the adaptation of the free trade agreements and arrangements following the accession of Spain and Portugal—which constitute an important extension of the European Free Trade System—the signature of multilateral conventions on customs documentation and transit, and the further simplification of the administrative formalities concerning origin which will considerably facilitate trade.

3. They recalled that both the EC Council conclusions of 15 September 1986 and the statement by EFTA Ministers of 2 December of the same year stressed their determination to pursue the efforts to consolidate and strengthen co-operation at the same time as the Community progresses towards the completion of the Internal Market. They reaffirmed their commitment in this regard.

They agreed that this co-operation should take into account the specific institutional and legal structures of the EC and the EFTA countries. They fully understood the priority attached by the EEC to the completion of its Internal Market as scheduled by the end of 1992 and to cohesion in the implementation of the Internal Market and other Community policies. Whilst excluding no area for co-operation from the outset, they felt that the evolution of EC-EFTA co-operation should aim at seeking a balance between benefits and obligations in the interest of all parties concerned.

4. They agreed that the best way to proceed would be to develop co-operation pragmatically on a multilateral and on a bilateral basis. In order to facilitate this development early exchanges of views and information should be continued and intensified while respecting each other's internal procedures. In the immediate future, co-operation should concentrate on those issues which have been identified in common as being of mutual interest. The possibility of concluding agreements based on Community and EFTA countries' legislation, which is compatible, will be examined.

5. They recognized that the time now seems ripe for some specific new steps to be taken.

With regard to the elimination of technical barriers to trade, they felt that ongoing co-operation should be further intensified. An efficient and dynamic European standardisation should be achieved by strengthening the European standardisation organisations. Technical regulations should, as far as possible, refer to European standards. They agreed that detailed discussions on mutual exchange of notifications on new technical regulations should be pursued.

Other areas for progress are:

- further simplification of the origin documentation and the improvement of origin rules, going thoroughly into the conclusions of the Joint EC-EFTA study on the cumulation provisions,
- strengthening the protection of the topographies of semi-conductors and co-operation on measures against counterfeiting,
- increased transparency in the field of state aid through mutual exchange of information in order to avoid trade distortions,
- greater transparency in public procurement tenders as a step towards progress in the opening up of the public procurement markets,
- negotiations concerning both the liberalisation of exports of non-ferrous scrap and the prohibition of export restrictions in EC-EFTA trade in a progressive way through the progressive harmonization of the regimes of the countries concerned,
- greater transparency in the systems of agricultural price compensation for products covered by protocol 2 of the existing free trade agreements between the EC and EFTA countries.

They felt that maximum efforts should be made with the aim of achieving positive results in time for the meeting between the Commission and EFTA Ministers scheduled for June of this year in Finland and agreed therefore that the EC-EFTA group of High Level Officials should prepare proposals to that effect.

They reconfirmed also their full support for work in progress in the other fields currently under discussion, such as mutual recognition of test results and certification, product liability, co-operation in the sector of services, industrial and intellectual property rights and indirect taxation in cross-border traffic.

6. Solutions to problems in the transport sector are essential not only for the Community's own integration but also for wider co-operation with EFTA countries in the context of the European Economic Space. Bearing this in mind they therefore welcomed that the negotiating process on transit questions between the Community, Austria and Switzerland has started.

7. They recognized that the realisation of a dynamic European Economic Space is an ongoing process based on the Luxembourg Declaration and subsequent instruments of co-operation and expressions of political will. They were determined to contribute to further progress in all fields mentioned in that Declaration in which process the Community will take full account of the implementation of the Single European Act.

8. They agreed that this meeting constitutes a positive contribution to further progress on co-operation between the EC and the EFTA countries in the perspective of the European Economic Space.

Ministerial meeting of the EFTA Council

Tampere, 14 and 15 June 1988

Communiqué

The EFTA Council met at ministerial level in Tampere, Finland, on 14 and 15 June 1988. Mr Pertti Salolainen, Finland's Minister for Foreign Trade, was in the chair.

Cooperation with the European Community continues to be the central task of the Association. Ministers welcomed the efforts of the European Community to complete its internal market by the year 1992 and they recognized the importance for the EFTA countries of this new dynamism in the European integration process. They stressed the need to develop EFTA-EC relations in parallel with the completion of the EC's internal market in order to create a homogeneous European Economic Space (EES), as laid down in the Luxembourg Declaration of 1984.

Ministers recalled the EC Council conclusions of 15 September 1986, the statement by EFTA Ministers of 2 December of the same year and especially the declaration which Ministers of the Member States and the Commission of the EC and EFTA Ministers had adopted in Brussels on 2 February 1988 on questions related to the internal market. Ministers noted with satisfaction that further political impetus had been given to the development of a European Economic Space. They underlined the importance of the forthcoming meeting with the EC Commissioner responsible for external affairs as an expression of the common political will on both sides to sustain the momentum for further progress.

Ministers expressed the determination of the EFTA countries to face the new challenges of European integration. They underlined the essential role of EFTA as their common platform for cooperation and negotiations with the EC. They emphasised the importance of a multilateral approach for reaching EES-wide solutions.

Ministers recognised that consultations and negotiations with the EC are proceeding in a large number of fields. While welcoming progress in

several areas, they are aware that much remains to be done. They underlined that no area should a priori be excluded from future cooperation with the EC. EFTA countries will therefore accelerate their preparations and seek to identify common EFTA priorities for future negotiations with the EC.

Ministers recognized the importance of aiming at compatible legislation between the European Community and the EFTA countries in an increasing number of fields. They confirmed their judgment that a more extensive use of the notion of mutual recognition of laws, regulations and standards could become an important instrument for further cooperation.

Ministers also attached great importance to the conclusion of the negotiations for a convention on the jurisdiction and enforcement of judgments parallel to the Brussels Convention of 1968. The adoption of this convention at a diplomatic conference in September 1988 will be an important contribution to European integration.

Ministers signed a Convention for the mutual recognition of test results and proofs of conformity in EFTA. The convention will facilitate the introduction of new products on EFTA markets by making the repetition of tests unnecessary. Ministers are convinced that the convention will prepare the ground for an agreement with the Community.

Ministers noted with satisfaction that a new EFTA procedure for the exchange of information on planned new technical regulations is due to enter into force on 1 July 1988. By enabling countries to identify in advance potential barriers to trade this exchange of information will help to prevent them.

Both the convention on the mutual recognition of test results and the new information procedure on technical regulations are conceived as important elements for agreements with the EC aiming at the elimination of trade barriers throughout the European Economic Space.

Ministers stressed the great importance of achieving an effective mutual opening up of public procurement markets in the EFTA-EC area. They agreed that an outline for a new and improved system of EFTA rules and interpretations on public procurement should be presented to the next ministerial meeting of the Council.

Ministers agreed that new steps should be taken to avoid state aid measures that distort competition. They requested experts to conclude within one year their work on defining common criteria for assessing any trade-distorting effects of such measures. The EFTA countries will continue to prepare for an arrangement with the EC in this regard.

Having regard to the general objective of the Association, the importance of providing reciprocity to Member States whose economies depend to a large extent on export of fish and other marine products, and based on the unanimous recommendation made by the EFTA Parliamentarians and supported by the Consultative Committee on full liberalisation of trade in fish within EFTA, Ministers agreed to establish a Working Group at the level of Under-Secretaries of State with a view to examine concrete

recommendations for liberalisation in this sector and a subsequent schedule for their implementation. Ministers requested that the Group present a progress report on its work to the next ministerial meeting with a final report to be presented to the ministerial meeting in June 1989.

Ministers further requested the initiation without delay of an in-depth analysis of all relevant aspects of government aid to the fishing industry to be concluded well before the next ministerial meeting in order for the Group to assess their distortive effect.

Ministers agreed that, subject to the necessary national approval procedures, the EFTA countries will suspend certain customs duties on imports from Spain as and when they fall to 2 per cent ad valorem under the free trade agreements between the EFTA countries and the EC. A similar decision has already been taken by the EC. Ministers also agreed to strengthen the resources of the EFTA Industrial Development Fund for Portugal by postponing the repayment of the capital subscribed by the EFTA countries and Portugal.

Ministers reviewed the relations between the EFTA countries and Yugoslavia. They confirmed their willingness to seek new ways and means for cooperation with Yugoslavia. They called for every effort to be made to continue to implement the Bergen Declaration and to prepare in this respect for the next Joint EFTA-Yugoslavia Committee meeting in Graz in September.

Ministers welcomed the steps taken so far to increase the capacity and efficiency of the EFTA Secretariat with the aim of better fulfilling the new tasks facing the Association. They agreed to further adapt mechanisms within the national administrations and the working methods of EFTA to keep pace with developments in the European Economic Space.

The next meeting of the EFTA Council at ministerial level will be held in Geneva on 28 and 29 November 1988.

Meeting between EFTA Ministers and the EC Commission

Tampere, Finland, 15 June 1988.

Joint Conclusions

1. The Ministers of the EFTA countries and Mr Willy De Clercq, Member of the Commission of the European Communities responsible for External Relations and Commercial Policy, met, under the Chairmanship of Mr Pertti Salolainen, Minister for Foreign Trade of Finland, on 15 June 1988 in Tampere, Finland, to review the state of relations between the Community and the EFTA countries and the implementation of the Luxembourg Declaration of 9 April 1984. Mr Georg Reisch, Secretary-General of EFTA, also attended the meeting.

2. Recalling the EC Council conclusions of 15 September 1986, the statement by EFTA Ministers of 2 December of the same year and especially the declaration which Ministers of the Member States and the Commission of the EC and EFTA Ministers had adopted in Brussels on 2 February 1988 on questions related to the Internal Market, they took note of the progress made towards their common goal to establish a dynamic and homogeneous European Economic Space (EES) comprising the Community and the EFTA countries, as laid down in the Luxembourg Declaration.

3. In line with the political commitments to strengthen mutual cooperation at the same time as the Community progresses towards the completion of its internal market extensive expert work has been carried out since the meeting of EFTA Ministers and Mr De Clercq at Interlaken in May 1987.

4. Ministers of the EFTA countries and Mr De Clercq highlighted the decisions which have now been taken with a view to reaching the following early and concrete results:

- An EFTA-EC agreement *on the exchange of notifications on draft technical regulations*. This agreement will be based on the existing EC

notification system on the one hand and the new EFTA notification procedure due to enter into force on 1.7.1988 on the other. Negotiations will be opened shortly with the aim of concluding them before the end of the year.

- A framework agreement on the *mutual recognition of test results and certification*. The Convention signed today by EFTA Ministers is a welcome step in preparing the ground for the opening of negotiations on framework and sectoral agreements with the Community. These would be an important extension of the existing fruitful EFTA-EC cooperation on standardisation and technical regulations.
 - *Improvement and simplification of the origin rules* by extending the rules of bilateral cumulation to multilateral cumulation. This change to the Free Trade Agreements between the Community and the EFTA countries will enter into force on 1.1.1989.
 - *The abolition of existing and prohibition of new export restrictions* between the EC and EFTA countries. Negotiations on the necessary amendments to the Free Trade Agreements have started and will be concluded as soon as possible.
 - Joint efforts in the field of *trade facilitation*. Close cooperation in the areas of the Community's Coordinated Development (CD) project concerning customs procedures and other trade facilitation measures is important for the future development of EFTA-EC trade. EFTA countries' participation in the Trade Electronic Data Interchange Systems programme (TEDIS) would complement these efforts. Detailed information is given in Annex 1.
 - Legal protection of *semi-conductor products*. The recent decision by the EC Council to extend the legal protection of topographies of semi-conductor products to the EFTA countries was welcomed. EFTA ministers confirmed the intention of their countries to take, as soon as possible, corresponding measures in favour of the EC Member States.
 - Convention on the *jurisdiction and the enforcement of judgments*. The negotiation of a Convention parallel to the EC Brussels Convention of 1968 will be concluded with a view to its adoption at a Diplomatic Conference in September 1988 in Lugano. It will be an important contribution to the uniform rules of jurisdiction and the free movement of judgments in civil and commercial matters, which will be of particular relevance for trade between all the countries of the EES.
5. Furthermore, Ministers of the EFTA countries and Mr De Clercq have agreed upon the following measures:
- *Public procurement*. The joint publication of tenders through the use of the EC electronic data system (TED) will be a step towards mutual opening up of their public procurement markets. Discussions on ways and means to achieve this objective at the same time as the Community progresses in this field will be continued in the near future. Details about the measures are given in Annex 2.

- *State aid.* Cooperation will be improved by regular exchange of information and views on state aid schemes and policies. These measures, described in Annex 3, are a contribution towards avoiding distortion of competition among the partners of the EES.
- *Processed agricultural products.* Arrangements to improve transparency in the price compensation measures applied in EC-EFTA trade to processed agricultural products listed in Protocol 2 of the Free Trade Agreements are outlined in Annex 4.

6. EFTA Ministers and Mr De Clercq stressed the importance of progress being made in the following areas:

- *Education and training programmes.* The cooperation in this field will help Europe meet the challenges arising from economic, technological and social changes. The modalities for EFTA countries' participation in COMETT will be discussed in time, as and when a decision is taken to extend COMETT into a second phase. The possibilities of cooperation with regard to other EC programmes, including ERASMUS, will also be examined in due course.
- *Environment.* Following the Noordwijk Ministerial Declaration, cooperation has been strengthened on concrete issues, such as the reduction of exhaust emissions, problems of phosphates in detergents and questions concerning climatic change. Early exchanges of information on draft legislation will be intensified.
- *Financial services.* The importance of financial services in the process of European cooperation was stressed. In the fields of banking and trade in securities attention will now be concentrated, inter alia, on ways to cooperate on bank accounts and solvency ratios. This should be accompanied by an exchange of information in other fields with a view to identifying possible new areas for cooperation.
- *Transport.* Solutions to problems in the transport sector are essential not only for the Community's own integration but also for the wider cooperation with EFTA countries in the context of the European Economic Space. Ongoing discussions on transit matters between the EC and Austria and Switzerland are a contribution in that regard and so are the talks on transport questions between the EC and other EFTA countries.
- *Product liability.* It is important to avoid barriers to trade which are due to differences in the responsibility for product defects. Following initial expert talks, work will now be focused on i.a. the question of the liability of the producer versus that of the importer.
- *Indirect taxation.* Discussions have started in this area. Removals and temporary importation of goods other than means of transport have been identified as most promising starting points for further work.
- *Counterfeiting.* Progress has been achieved in discussions concerning measures against counterfeiting; cooperation along the lines set out in Annex 5 will be intensified.

- *Intellectual and industrial property (i.a. trade-marks, copyright and biotechnological inventions)*. The aim is to create equal levels of legal protection throughout the EES.
- *Research and development*. Cooperation in this field is crucial for the strengthening of the competitive position of European industry. The participation of EFTA enterprises and institutes in Community programmes develops well. EFTA Ministers and Mr De Clercq stressed the importance for continued cooperation in this area.

This list is by no means exhaustive; other areas are under consideration such as consumer protection and civil aviation.

7. EFTA Ministers and Mr De Clercq considered that the recent decision of the EC Council and the agreement of EFTA Ministers to suspend certain customs duties on imports from Portugal and Spain are a positive contribution to the creation of the EES. Accordingly, subject in EFTA countries to the necessary national approval procedures, those duties will be suspended, as and when they fall to 2 per cent ad valorem under the Treaty on Accession and the Additional Protocols to the Free Trade Agreements.

8. The Community's integration process, especially the completion of its Internal Market, and the creation of a dynamic and homogeneous European Economic Space between EC and EFTA countries have now become irreversible.

The partnership between the Community and the EFTA countries is based on common interest and mutual trust. Their expanding cooperation will lead to an ever closer working relationship which calls for early exchanges of information and views as agreed between EC and EFTA ministers during their meeting on 2 February. Efforts to identify further fields for cooperation, without excluding any area from the outset, will be pursued and intensified.

Ministers and Mr De Clercq were determined to devote continuous attention to the three-fold task of pursuing, with vigour, the negotiations under way or now starting, to accelerate work on the other themes already under consideration and to start exploratory talks on the new areas for cooperation.

Annex 1

CD Project and Trade Facilitation

EFTA Ministers and Commissioner De Clercq welcomed the progress achieved so far by EC and EFTA experts, in the context of the Community's Co-ordinated Development (CD) project, in revising and harmonising international trade procedures and implementing their co-ordinated computerisation by means of links between customs systems and other administrative and commercial systems.

They also underlined the importance of the Community's Trade Electronic Data Interchange Systems programme (TEDIS) for the co-ordinated establishment of commercial EDI systems and for the implementation of the international standard for Electronic Data Interchange for Administration, Commerce and Transport (EDIFACT) developed within the UN-ECE.

EFTA Ministers and Commissioner De Clercq therefore:

1. stressed the need to pursue with vigour EC-EFTA co-operation in the area of the CD project and trade facilitation;
2. reiterated their support for joint preparation of procedures based on EDI and the common pursuit of the twin objectives of harmonisation and simplification foreseen in the EC CD-project;
3. called for further harmonisation and simplification of procedures in EC-EFTA trade based on the achievements of the Single Administrative Document;
4. reaffirmed their wholehearted support for the work of the EDIFACT Board, since it is imperative that the EDIFACT standard be implemented in both the Community and in EFTA countries;
5. noted that initial contact had been made with a view to identifying the best way for EFTA countries to cooperate in the context of the TEDIS programme.

* * *

Annex 2

Public Procurement

EFTA Ministers and Mr De Clercq reaffirmed, in the framework of creating a dynamic European Economic Space, the need to progress towards mutual opening up of public procurement markets beyond the existing GATT Agreement on Government Procurement. They undertook to discuss ways and means to achieve this objective at the same time as the EC progresses internally in the field of public procurement. They took note in this context of the importance of surveillance and enforcement aspects.

They agreed that the following transparency measures will facilitate improved mutual access to public procurement in the Community and in the EFTA countries, and represent a step towards further progress in the opening up of public procurement markets.

The EFTA countries and the EC Commission will make available for inclusion in the Official Journal of the EC and in the TED data bank:

- their tender notices as soon as they appear;
- post-information by making tender results known within sixty days from the award of each contract;
- pre-information at the beginning of each fiscal year about existing programmes on public contracts which their procuring entities have the intention to award during that year.

These transparency measures shall apply to all public contracts which are covered by the GATT Agreement.

The EFTA countries and the EC will examine ways in which they can extend transparency measures to other areas of central, regional and local public procurement, which are not currently covered by the GATT Agreement, in the context of the mutual opening up of public procurement markets in these areas between the Community and the EFTA countries.

The EFTA countries and the Commission of the European Communities will exchange their statistical reports concerning public procurement contracts awarded in order to increase transparency and to allow assessment of the results of EC-EFTA co-operation in this area. They will continue to study ways to improve the comparability of their statistics in this field.

EFTA Ministers and Mr De Clercq welcomed the work of the EFTA-EC expert group in this field.

* * *

Annex 3

State Aid

1. In the Joint Declaration of 2 February 1988, the Community and EFTA Ministers recognized the desirability of increasing transparency in the field of state aid through mutual exchange of information in order to avoid trade distortions.

2. Taking into account the provisions of the Treaty of Rome, of the Stockholm Convention, including the new notification procedure on state aid within EFTA, of the Free Trade Agreements and the Declaration of Luxembourg of 9 April 1984, Ministers of the EFTA countries and Mr De Clercq have agreed on the following:

- (a) The EFTA Secretariat will send to the Commission copies of all state aid notifications which it receives from, and circulates to, the EFTA countries. The Commission will provide the EFTA Secretariat with

copies of notices issued pursuant to the opening of procedures under Article 93.2 EEC and information notes which the Commission issues on developments on state aid policy.

- (b) The competent EFTA fora as well as the EFTA country concerned will take into consideration any views expressed by the Commission in regard to the notification in question, as does the Commission in respect of EFTA views expressed in the course of Commission procedures under Article 93.2 EEC in which EFTA members may intervene as interested third parties.
 - (c) exchanges of views and information on state aid policy developments will take place on a regular, annual basis.
3. The EFTA Ministers and Mr De Clercq consider that this process will contribute to the stricter application of the state aid provisions of the Free Trade Agreements and contribute to avoiding distortion of competition among the parties.
4. They welcomed the work by the EFTA and EC expert group on government aids as a means of implementing these objectives.

* * *

Annex 4

Processed agricultural products covered by Protocol 2 to the Free Trade Agreements

EFTA Ministers and Commissioner De Clercq agreed to the setting up of a mutual notification system whereby the Commission and EFTA countries will make available to each other as soon as possible and at the very latest 2 weeks after their entry into force full details of any new measures taken affecting agricultural price compensation for products covered by Protocol 2 to the Free Trade Agreements.

They will also endeavour to keep each other informed at an early stage of any proposals to introduce major amendments to their respective price compensation systems.

The necessary administrative arrangements for this exchange of information will be formalised in due course by bilateral exchanges of letters.

EFTA Ministers and Commissioner De Clercq instructed the Commission-EFTA Expert Group to continue to monitor progress in this area and to review any difficulties which may arise out of the systems or measures notified.

* * *

Counterfeit Trade

1. The EFTA countries and the Community are firmly committed to co-operate in combating trade in counterfeit goods.
2. Both sides agree to exchange information as far as available on existing national legislation in EFTA countries and in the Community Member States, including information on implementing regulations following the entry into force of Council Regulation (EEC) No. 3842/86, and on amendments to such legislation, including Community legislation.
3. The EFTA countries are considering taking the necessary steps to introduce national legislation having an effect equivalent to Council Regulation (EEC) No. 3842/86.
4. A possible agreement between the EFTA countries and the Community on further cooperation in the field of counterfeit trade should also include an exchange of information such as collected by customs authorities.

Ministerial meeting of the EFTA Council

Geneva, 28 and 29 November 1988

Communiqué

The EFTA Council met at ministerial level in Geneva on 28 and 29 November 1988. Mr Robert Graf, Austria's Minister for Economic Affairs, was in the chair.

Ministers confirmed that EFTA remains the principal platform for the deepening of their countries' cooperation with the European Community in their common endeavour to create a European Economic Space (EES) comprising all eighteen EFTA and EC countries.

Ministers noted with satisfaction the importance the EC attaches to this common task and welcomed the presence at this afternoon's meeting of Mr Willy De Clercq, the EC Commissioner responsible for external affairs and trade policy.

Ministers underlined the importance of the meeting of EFTA Heads of Government to be held in Oslo on 14 and 15 March 1989 at the invitation of the Prime Minister of Norway, the first meeting at such a level since the Visby Summit of May 1984. The meeting is expected to highlight the common interests and determination of the EFTA countries in continuing their efforts to participate in the process of European integration and to initiate new impulses for cooperation with the EC.

Ministers stressed the importance of the forthcoming mid-term review of the Uruguay Round negotiations and emphasised that substantial results in Montreal would be a significant step towards a positive outcome of the Round by 1990. In a phase of increased tendencies toward regionalisation and bilateralisation of the world economy it is even more important to strengthen the multilateral trading system. Furthermore, Ministers underlined the need for a more effective integration of developing countries into the multilateral trading system. The EFTA countries will pursue their cooperation in order to contribute to a

successful outcome of both the mid-term review in Montreal and the Uruguay Round.

Ministers expressed their satisfaction at the conclusion last September of the Lugano Convention on jurisdiction and the enforcement of judgments in civil and commercial matters. This convention, which will be applicable in all EFTA and EC member countries, constitutes an important step towards a common legal framework for EFTA-EC relations.

Ministers noted that negotiations with the EC have been successfully concluded on the simplification of the cumulation provisions of the origin rules, and welcomed it as a long sought contribution to the European Economic Space that would be of substantial benefit for traders. They noted that an agreement would be signed today on improved transparency in the price compensation measures applied in EFTA-EC trade in processed agricultural products. Moreover, the work on the abolition of export restrictions on EFTA-EC trade and on a joint procedure for notifying draft technical regulations has reached the final stages of negotiation. Furthermore, the preparations for suspending customs duties on all industrial imports from Spain once they fall to 2 per cent *ad valorem* have been concluded. Ministers welcomed the fact that the EC is taking the necessary steps to open the TEDIS programme for facilitating the electronic exchange of trade data to the participation of the EFTA countries.

Ministers welcomed the recent decision of the EFTA countries to identify new areas for fact-finding talks with the EC. This reflects the determination of the EFTA countries to broaden their cooperation with the European Community to matters beyond trade in industrial goods, with the aim of developing EFTA-EC relations in parallel with the completion of the EC's internal market. New fields related to the European Economic Space such as the social dimension, consumer protection, company law, and financial services are now being addressed. The protection of the environment should continue to be an important area of EFTA-EC cooperation. Ministers stressed that an adequate solution in the European Economic Space should soon be found for the problem of product liability.

Ministers took note of a progress report on liberalisation of trade in fish within EFTA prepared by the working group they had set up at their meeting in Tampere. The final report of this working group at the level of Under-Secretary of State is to be presented to the ministerial meeting of the Council in June 1989.

Ministers adopted a new interpretation of article 13 of the EFTA Convention referring to government aids, a contribution to the preparations for a common arrangement aiming at avoiding trade-distorting government aids in the EFTA-EC area.

Ministers welcomed an outline of a revised system of EFTA rules and interpretations on public procurement, which would be equivalent to the EC system in all essentials including the surveillance and enforcement aspects, where the emphasis would be placed on action at the national level. A proposal for adoption is due to be presented during 1989. The

aim is to reach an arrangement with the EC for the opening up of public procurement markets on a reciprocal basis.

Ministers took note of proposals to improve the working methods of EFTA with a view to strengthening the Association's negotiating capacities with the EC.

Ministers reviewed the relations between the EFTA countries and Yugoslavia in the light of the Tampere conclusions and the recent Joint EFTA-Yugoslavia Committee meeting in Graz. They agreed that the EFTA countries should intensify their cooperation with Yugoslavia under the Bergen Declaration.

The next ministerial meeting of the EFTA Council will be held on 13 and 14 June 1989 in Kristiansand, Norway.

Meeting between EFTA Ministers and the EC Commission

Geneva, 29 November 1988

Joint communiqué

1. The Ministers of the Member States of EFTA and Mr Willy De Clercq, Member of the Commission of the European Communities responsible for external relations and trade policy, met under the chairmanship of Mr Robert Graf, Minister for Economic Affairs of Austria, on 29 November 1988 in Geneva, Switzerland, to review the state of EC-EFTA relations. Mr Georg Reisch, Secretary-General of EFTA, also attended the meeting.
2. EFTA Ministers and Mr De Clercq underlined the importance of mutual EC-EFTA relations evidenced by the fact that they are each other's principal economic partners.
3. They recalled the Luxembourg Declaration by Ministers of Member States of EFTA and EC and the EC Commission of 9 April 1984, the meeting of EFTA Trade Ministers and EC Ministers responsible for the Internal Market and the EC Commission of 2 February 1988 and the annual meetings of Ministers of EFTA countries with President Delors and Mr Willy De Clercq in Vienna in 1985 and with Mr Willy De Clercq in Reykjavik (1986), Interlaken (1987) and Tampere (1988) as well as the EC Council conclusion of 15 September 1986 and the statement by EFTA Ministers of 2 December of the same year. They confirmed that these developments were important steps towards the creation of the dynamic and homogeneous European Economic Space (EES) and the basis for further efforts in that direction.
4. Reviewing developments over this four-year period, they welcomed the fact that EC-EFTA cooperation has been strengthened by a series of important achievements as regards the trading system, among them the adoption of the Conventions on the Single Administrative Document and the Common Transit Procedure, these being the first multilateral conventions between the EC on the one hand and all the EFTA countries on the

other hand, the simplification of the documentation of origin ('invoice declaration') and significant progress towards standardization and towards elimination of technical barriers to trade. The achievements in the field of research and development as well as the adaptation of the Free Trade Agreements following the accession of Spain and Portugal to the EC are other examples of successful EC-EFTA cooperation.

5. They welcomed the decisive progress in the field of simplification of origin rules (cumulation), where joint decisions will enter into force at the beginning of 1989, thus considerably facilitating intra-European trade.

6. They stressed that the conclusion on 16 September 1988 in Lugano, Switzerland, of the Convention on Jurisdiction and Enforcement of Judgments in Civil and Commercial Matters, to be applied in all EFTA and EC Member countries, constitutes an important step towards the strengthening of the legal framework for EC-EFTA relations.

7. At their present meeting in Geneva, Ministers of EFTA countries and Mr De Clercq initialled the additional protocols concerning the suspension of duties of 2% and less on imports from Spain. Letters were signed and exchanged on the improvement of transparency in the price compensation measures applied in EC-EFTA trade to processed agricultural products.

8. Reviewing other developments since the last Ministerial meeting in Tampere in June 1988, the EFTA Ministers and Mr De Clercq noted with satisfaction that considerable progress on substance had been achieved as regards:

- the exchange of notifications on draft technical regulations, where the signing of an agreement is foreseen for the near future,
- the abolition of existing and prohibition of new export restrictions, where current negotiations are expected to be concluded shortly and where protocols to amend the Free Trade Agreements will consequently be signed,
- the possible association of the EFTA countries with the Community's TEDIS (Trade Electronic Data Interchange Systems) programme,
- the development within the CD project of the electronic customs declaration message based on the Single Administrative Document and joint efforts to facilitate other customs procedures,
- the notification systems for public procurement tenders, which are now being implemented as agreed upon in Tampere,
- State aid, where a system of exchange of information was now operative.

They further noted that there were now good prospects for early progress in the fields of:

- education, where exploratory talks on the modalities for EFTA participation in COMETT II should start once the EC Council has taken its decision of principle in that regard, possibilities for EFTA countries' participation in other EC programmes including ERASMUS will also be examined in due course,

- counterfeit goods, where the purpose and content of a multilateral agreement should be studied,
- transport, where Norway and Sweden have requested negotiations in the field of civil aviation and where other EFTA countries will do likewise.

On transit matters the talks between the EC, Austria and Switzerland are being continued.

9. EFTA Ministers and Mr De Clercq welcomed that the scope of expert work will be widened to cover the entire field of financial services by holding regular exchanges of information, starting with banking and trade in securities. They also welcomed the intention to hold exploratory talks in those areas for which mutual interest will be identified and took note that such talks are already under way between Switzerland and the EC Commission. Other EFTA countries will do likewise in due course.

They also noted with satisfaction that the dialogue concerning the trade regimes for processed agricultural products will be intensified.

They emphasized the importance of further strengthening the cooperation in the areas of:

- environmental protection, evaluating the follow up of the Noordwijk declaration of Ministers in the overall framework of the implementation of the Luxembourg Declaration,
- mutual recognition of tests and certificates,
- public procurement, with a view to a mutual opening of the respective markets starting with supplies and works,
- indirect taxation (allowances and exemptions for cross-border traffic, etc.),
- telecommunications,
- extension of the legal protection of topographies of semi-conductor products,
- comparable standards in relation to the essential requirements concerning low voltage electrical appliances, construction materials, simple pressure vessels, toys, chemical and pharmaceutical products.

10. The Ministers and Mr De Clercq furthermore agreed to continue or initiate the exchange of information and experience in the fields of:

- product liability,
- intellectual and industrial property rights,
- free movement of capital, to the extent that this was not already taking place in other fora,
- company law,
- foodstuff legislation,
- veterinary and phytosanitary measures,
- other questions concerning the protection of consumers.

They welcomed the fact that a first exchange of views had taken place on social policy aspects.

11. It was noted that the intensified contacts and substantial achievements as well as the cooperation envisaged for the future at all levels and in many different frameworks reflect the special relationship between the EC and the EFTA countries which should be further developed. Ministers of the EFTA countries and Mr De Clercq reaffirmed their determination to consolidate and strengthen cooperation in the context of the European Economic Space at the same time as the Community progresses towards the completion of the Single Market by 1992. They underlined the need to achieve further concrete results. This common task requires increased efforts with regard to an early exchange of information and views and cooperation between the EC and the EFTA countries. This latter should include, whenever appropriate, agreements based on compatible and equivalent legislation in the EC and the EFTA countries.

12. Ministers of the EFTA countries and Mr De Clercq stressed the importance of the forthcoming mid-term review of the Uruguay Round negotiations in Montreal as a significant step towards a positive outcome of the Round by 1990 and emphasized the need for an intensified exchange of views between the EFTA countries and the Community in order to contribute to that end.

13. Expressing their appreciation to the Commission and the Council of the European Communities, Ministers of the EFTA countries extended their personal thanks to Mr Willy De Clercq and looked forward to continuing the excellent cooperation with the new Commission taking office in January 1989.

European Free Trade Association 1988

MEMBER COUNTRIES

Austria Finland Iceland Norway Sweden Switzerland

CHAIRMANSHIP OF THE EFTA COUNCIL

January-June Finland
July-December Austria

HEADS OF PERMANENT DELEGATIONS TO EFTA

Austria:	F. Ceska
Finland:	O. Mennander
Iceland:	S. Gunnlaugsson
Norway:	M. Huslid
Sweden:	L. Anell
Switzerland:	W. Rossier

EFTA STANDING COMMITTEES

Economic Committee
Committee of Trade Experts
Committee of Origin and Customs Experts
Committee on Technical Barriers to Trade
Group of Legal Experts
Consultative Committee
Committee of Members of Parliament of the EFTA Countries
Committee on Agriculture and Fisheries
Economic Development Committee
Budget Committee

EFTA SECRETARIAT

Secretary-General	G. Reisch
Deputy Secretary-General	B.O. Johansson

Principal Secretariat Officers

Secretary-General's Office	Director: P. Mannes
Trade Policy Affairs	Director: H. Tschäni
Legal Affairs	Director: S. Norberg
Economic Affairs	Director: P. Wijkman
Press and Information Service	Director: H. Renk
Secretary to the Council	R. Hall
Administrative Section	Director: A. Kjellstrand

EFTA SECRETARIAT HEADQUARTERS

9-11, rue de Varembé, 1211 Geneva 20, Switzerland
Telephone: (022) 734 90 00 - Telex: 22660 EFTA CH
Telefax: 733 92 91

BRUSSELS OFFICE OF THE EFTA SECRETARIAT

108, rue d'Arlon, B-1040 Brussels
Telephone: 230 12 23
Telefax: 230 34 75

Published by the European Free Trade Association
9 11, rue de Varembe, 1211 Genève 20, Suisse
ISSN 0258 3844

Overcoming Technical Barriers to Trade

The arrangements introduced by EFTA

SECRETARIAT OF THE EUROPEAN FREE TRADE ASSOCIATION
GENEVA

May 1989

Overcoming technical barriers to trade

The arrangements introduced by EFTA

Health and safety are among the reasons why governments and other national authorities lay down compulsory regulations for the composition or performance of a variety of types of product. Frequently the regulations differ from one country to another if only because they reflect national habits or practices and the choice available on the market. In the absence of internationally accepted standards the differences can restrict trade if a particular country requires products to be tested or inspected to ensure that they conform with national requirements.

It was to overcome that problem—the need for national tests or inspections of imported products—that, starting in the late 1960s, a number of international arrangements were initiated under EFTA auspices. Although they originated in EFTA, it was always the intention that other countries should be able to take part. The arrangements are therefore entirely independent. In one of them, the Pharmaceutical Inspection Convention, as many as fourteen European countries are already taking part.

What is common to these arrangements is that the national authorities concerned may accept the findings of tests or inspections carried out in another country. This is commonly referred to as the reciprocal recognition of tests and inspections. For obvious reasons, an important element in any such system is that the authorities in the various countries involved should have confidence in the work and standards of their counterparts in the other countries.

The practical effect of these arrangements is that the manufacturer of a particular product, in one of the countries in which an arrangement is applied, can have the product tested or inspected in his own country to confirm that it meets the requirements of the country he wishes to export to. This can save time and money.

Two of these arrangements take the form of conventions which are signed by sovereign states. One of these, already mentioned, concerns the manufacture of pharmaceutical products, and one the hallmarking of articles of precious metals. In the other cases the arrangement is an agreement between the regulatory authorities in a number of countries.

A brief account of the state of these schemes and conventions at the end of 1988, with some notes on relevant developments during that year, is given in this report. It was prepared by the EFTA Secretariat which serves as the secretariat for each of the schemes and conventions.

A more general approach to the removal of a wide range of technical barriers to trade was taken in June when the EFTA countries signed a convention—the Tampere Convention—for the “reciprocal recognition of test results and proofs of conformity”. This will serve as an umbrella for sectoral agreements and obliges the EFTA countries to recognise, under specified conditions, the results of tests performed in another EFTA country to ensure that particular types of product conform to the relevant standards or technical requirements. This presupposes a certain harmonisation of national requirements. During the year EFTA began to work on the formulation of separate agreements to permit the reciprocal recognition of test results in particular sectors. These sectoral agreements are expected to provide a basis for arrangements that would produce the same effects between the EFTA countries and the EC. The signing was acknowledged, at a meeting between EFTA Ministers and the EC Commissioner for External Relations, as a welcome step in preparing the ground for the opening of negotiations for agreements with the Community.

Pharmaceutical Inspection Convention (PIC)

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

All medicines and similar products for human consumption which are subject to control under health legislation are covered by the PIC. It enables the countries participating to exchange such information as is necessary for a health authority to be able to ascertain that pharmaceuticals imported from another Convention country are manufactured in accordance with the standards applied under the Convention. Inspections carried out by national inspectors in the country where the product is manufactured are thus recognised by the country into which it is imported.

The Convention is an agreement between states: ten when it first came into force in 1971, fourteen at the end of 1988. Some are in the EFTA

area (Austria, Finland, Iceland, Liechtenstein, Norway, Sweden and Switzerland), some in the EC (Denmark, the Federal Republic of Germany, Ireland, Portugal and the United Kingdom), and two in Eastern Europe (Hungary and Romania).

Seven other European countries have expressed interest in acceding to the Convention. The formalities for Belgium's accession are virtually complete; the other six European countries concerned are Czechoslovakia, France, the German Democratic Republic, Italy, Luxembourg and Spain. Australia, Israel and Turkey have also shown interest.

The Committee of Officials, which has the task of ensuring that the Convention works effectively and is applied in a uniform way, met in Geneva in April and in Jongny (Switzerland) in September.

The Committee agreed on the appointment of a working group for the review of the PIC rules of Good Manufacturing Practice (GMP) in order to align them and ensure their compatibility with the future EC rules. The Committee was to meet as soon as the final draft EC rules were issued.

The Committee also continued to give particular attention to the mutual training of national inspectors responsible for seeing that the standards of good manufacturing practice established under the convention are observed in their countries. A key element here is the organising of seminars which make it possible for national inspectors to keep informed about the most up-to-date thinking on manufacturing standards and inspection techniques in the industry.

The seventeenth seminar was held in Jongny (Switzerland) in September on the subject of "Water for pharmaceutical purposes". It was attended by inspectors from the Convention countries and also from Australia, Belgium, Canada, Czechoslovakia, the Netherlands, Italy, Japan and the United States.

Registration of pharmaceutical products

Another aspect of the reliability of pharmaceutical products is the subject of an arrangement known as the PER scheme. This has been in operation since June 1979 and concerns not the manufacture but the registration of the products. The scheme aims at simplifying the process of obtaining, or granting, authority to market a new product in more than one country.

The scheme promotes the reciprocal recognition of evaluation reports. These are reports which evaluate the tests and scientific documentation submitted by the manufacturer when he first applied successfully for the registration of a particular new product. Though the evaluation of the tests and the documentation is an essential condition for registration, the drawing up of evaluation reports in a form that can be transmitted from

one national registration authority to another is a concept specially introduced for the purpose of the scheme.

At the outset the scheme was in force in five EFTA countries: Austria, Finland, Norway, Sweden and Switzerland. It was extended to a sixth country, its first non-EFTA country, when the registration authority of the Federal Republic of Germany began to participate on 28 February 1986. The UK thereafter joined the scheme on 9 March 1988. A request for participation from the Italian registration authority was accepted and was to become effective from 6 March 1989, bringing the number of countries participating to eight. The Dutch and Canadian authorities have now expressed their interest in the Scheme.

The Committee, which met twice during the year, continued to follow relevant developments within the European Community, particularly arrangements concerning mutual recognition of assessment reports. A seminar was held in June, organised under the auspices of the PER Committee, on "Mutual recognition of evaluation reports—a move towards a European approach".

Hallmarking

The Hallmarking Convention—the Convention on the Control and Marking of Articles of Precious Metals—introduced the first international hallmark. Specifically, it enables national assay offices to apply common control marks to articles of gold, silver or platinum after they have tested the fineness of the metal or metals used. Articles bearing these hallmarks are accepted without further testing or marking by any of the countries taking part.

The operation of this Convention is supervised by a Standing Committee. At a meeting in May the Committee noted that 1,157,697 articles were marked with the common control marks in 1987, fifteen per cent more than in the previous year.

Work continued on the coordination of the practices used in the Convention countries for assaying and marking the various types of article of precious metals.

The Convention first came into operation in 1975. It is in force in nine countries: Austria, Denmark, Finland, Ireland, Norway, Portugal, Sweden, Switzerland and the United Kingdom. The Netherlands is expected to join in the near future and France and Spain have also expressed their interest in acceding to the Convention. One of the conditions for membership is that an applicant country must have arrangements for the assay and marking of articles of precious metals which are sufficient for the country to comply with the requirements of the Convention.

Pressure vessels

The scheme for the reciprocal recognition of tests and inspections carried out on pressure vessels has been in operation since 1 January 1971.

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

It applies to any static or transportable vessel for use on land which is intended to contain a fluid—liquid, steam or gas—at a pressure greater than atmospheric pressure. It does not apply to pressure vessels for use within the nuclear field which, in the case of failure, may cause a release of radioactivity.

A precondition of the use of the scheme is that the designs and calculations relating to the pressure vessel must first have been approved by the appropriate authority in the country into which it is to be imported. Then the complete range of tests required, apart from any that are normally performed on installation, can be delegated to a testing body in the exporting country, provided the testing body is recognised by the relevant authority in the importing country.

The national authorities participating in the scheme are in the process of drawing up standard certificates for the export of pressure vessels to other countries covered by the scheme.

At their meeting in Geneva in June the group noted developments with regard to the EFTA Convention on the mutual recognition of test results and proofs of conformity (see page 2 above) and in particular that an EFTA ad hoc group for the preparation of a sectoral agreement on simple pressure vessels was being set up. As usual the work in the EC in connection with the directive on simple pressure vessels and the relevant standardisation work taking place in CEN (the European Committee for Standardisation) was followed with interest.

Ships' equipment

The scheme for the reciprocal recognition of tests and inspections carried out on ships' equipment has been in force since 1 January 1971. It applies to any kind of equipment for ships, including life-saving appliances and fire-fighting equipment, which is subject to the requirements and approval of a national authority. It is in use in ten European countries: Denmark, Finland, the Federal Republic of Germany, Iceland, the Netherlands, Norway, Portugal, Sweden, the United Kingdom and Yugoslavia.

Representatives of the national authorities taking part in the scheme met in April. On the basis of national reports on the working of the scheme they found that it continued to function to their satisfaction.

The drawing up or revision of "common requirements" for various items of ships' equipment continued to be an important feature of the cooperation between the national authorities. These common requirements are not international standards. They simplify the operation of the scheme by expressing the elements that are common to the national requirements of the countries participating. In part, the work involved revising common requirements already accepted in order to take into account amendments to the International Convention for the Safety of Life at Sea that entered into force on 1 July 1986.

Under the scheme there are now 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, magnetic compasses, the performance of pilot hoists, self-contained breathing apparatus for firemen on board ships, totally enclosed lifeboats, gangways and accommodation ladders, life-jackets, the type testing of fire alarm cabinets and of electrical component parts for fire alarm and detection systems, hydrostatic release units and double-compartment inflatable work vests and thermal protective aids.

Gas appliances

The scheme for the reciprocal recognition of tests and inspections carried out on 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 came into operation on 1 August 1972 and is in force in Austria, Denmark, Finland, Iceland, Italy, Norway, Portugal, Sweden, Switzerland and the United Kingdom. Czechoslovakia has shown an interest in the scheme.

Little use has been made of the scheme, however, and few licences have been granted under it.

The main part of the meeting of national approval bodies which was held in October 1988 was devoted to a discussion of the draft EC proposal for a Council Directive on appliances burning gaseous fuels and the standardisation work on gas appliances taking place in CEN.

Agricultural machines and tractors

The scheme for the reciprocal recognition of tests carried out on agricultural machines and tractors has been in operation since 1 September 1972. Tests for operational safety and ergonomics and for safety in road traffic are the subject of the scheme. It applies to any machine, implement or vehicle for use in agriculture, horticulture or forestry, and to their

accessories, provided they are subject to approval by national authorities. Electrical equipment is not included in the scheme.

At their meeting in October representatives of the national authorities participating in the scheme found that it continued to work satisfactorily. Certain test procedures agreed internationally in the OECD and the ECE are accepted under it. This does not, however, prevent the participating authorities from imposing additional tests which are laid down in their national requirements.

The scheme is in force in eight European countries: Austria, Denmark, Finland, Norway, Portugal, Sweden, Switzerland and the United Kingdom. Czechoslovakia has shown an interest in the scheme.

Heating equipment using liquid fuel

The scheme for the reciprocal recognition of tests and inspections of heating equipment using liquid fuel has been in force since 1 January 1978. Austria, Finland, Iceland, Norway, Portugal, Sweden and Switzerland participate in it. The scheme concerns all appliances subject to national approval that use liquid fuel for heating purposes. They include oil burners, domestic boilers, air heaters and dryers, oil stoves with flue connection, portable heaters and portable cooking and lighting appliances.

Use of the scheme remains limited. Type testing of equipment of these kinds is not compulsory in all the seven countries concerned. Some countries use electricity rather than liquid fuel. Some import mostly from countries outside the scheme.

As a means of encouraging the application of the scheme, testing procedures and standard test reports were again on the agenda of the participating approval bodies at their annual meeting in September.

Lifting appliances

The scheme for the reciprocal recognition of tests and inspections carried out on lifting appliances came into force on 1 January 1978. Austria, Finland, Iceland, Norway, Sweden and Switzerland participate in the scheme. Czechoslovakia has shown an interest in it.

The scheme covers all kinds of lifting, handling, loading and unloading machinery, including building cranes, harbour cranes, deck cranes, lifts for passengers or goods, escalators, ski lifts, mine lifts and fork lift trucks. Tests or inspections required after the installation of the equipment are excluded.

At their annual meeting in November, representatives of the authorities participating in the scheme noted that CEN was setting up new Technical Committees concerning lifting appliances. Particular interest was expressed in the CEN work on truck-loading cranes. The existence of European standards would facilitate the operation of the scheme.

List of publications

Texts of the conventions and reciprocal recognition schemes

The years mentioned are those in which each convention or scheme first came into force.

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, French and German.

Convention on the mutual recognition of test results and proofs of conformity (the Tampere Convention). 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 15 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.

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

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.

Requirements of good manufacturing practice and quality control in the production of biological products. Frankfurt am Main, May 1984. English.

Premises for pharmaceutical manufacture. Oslo, June 1985. English.

Plastics and their pharmaceutical applications. Sigtuna, June 1986. English.

The business of pharmaceutical inspection. Cambridge, September 1987. English.

Brochures published under the auspices of the Pharmaceutical Inspection Convention

The price of each of these brochures is 5 Swiss francs.

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

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

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

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

Guidelines for the Packaging of Pharmaceutical Products (1984). English and German versions.

Guidelines for Good Pharmaceutical Control-Laboratory Practice (1985). English and German.

Guidelines for the Manufacture of Active Pharmaceutical Ingredients. (1987). English and German.

These guidelines are annexes to the brochure on basic standards for the manufacture of pharmaceuticals.

