

1973-1974

Fourteenth Annual Report
of the
European Free Trade
Association



Geneva- September 1974

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I. The year in EFTA: July 1973-June 1974

EFTA in the new European context

The administration of the free trade between the seven EFTA countries remained the constant task of the Association during the twelve months to the end of June 1974. The rules governing that trade had been some what modified shortly before the year began, and the Councils at both ministerial and official level kept the implementation of the rules under review. In this their aim was to ensure that the free trade system continued to function smoothly.

High priority was given throughout the year to the elimination of non-tariff barriers to trade. Reviews were undertaken in order to determine how the work to that end done by EFTA in recent years could most effectively be consolidated and enlarged. EFTA continued to pay careful attention to the activities of other international organisations in this field.

When the year began all but one of the Free Trade Agreements between the EFTA countries and the enlarged European Economic Community were in force. The last, that between Finland and the EEC, came into effect on 1st January 1974. An important task of the Association during the year was to provide a forum for consultations between the EFTA countries on their positions in relation to the implementation of those Agreements.

Broadly similar Agreements covering the iron and steel products that are the province of the European Coal and Steel Community had also been negotiated by all the EFTA countries before the beginning of the year under review. Since the process involved in obtaining the ratification of the Agreements was a long one, their tariff provisions were first applied on an autonomous basis in such a way that effectively these provisions came into force at the same time as the FTAs with the EEC. The Austrian, Icelandic, Portuguese, Swedish and Swiss FTAs on ECSC products were formally ratified in November 1973.

Each of the Agreements with the Communities provides for the establishment of a Joint Committee to be responsible for the administration of the Agreement and to ensure its proper implementation. The Joint Committees set up under the Agreements with the EEC met twice during the year covered by this report. They reviewed the functioning of the Agreements in general terms and dealt with several practical trade matters. They noted that a very good atmosphere and spirit of cooperation had characterised their meetings.

The implementation of the origin rules contained in the Agreements, which are identical with those now in force in EFTA, was carefully studied during

the year both in EFTA and in the Customs Committees set up under the Joint Committees, with the aim of ensuring that the rules meet the requirements of industry today. Agreement was reached during the year in the Joint Committees on some amendments to the rules. The corresponding changes in EFTA's origin rules are described on page 12.

EFTA and world trade problems

In the summer of 1973 there was already concern in all the EFTA countries about three major economic problems which clouded the international outlook—high rates of inflation, continuing world monetary disturbances and rapidly rising prices for certain raw materials and foodstuffs. There were, however, indications at that time that international cooperation was beginning to make headway in dealing even with those difficult problems. In the trade field, a successful meeting early in September in Tokyo of Ministers from a large number of countries designed the ground plan for a new round of multilateral negotiations within the framework of the GATT. Later that month, the International Monetary Fund's Committee of Twenty, which was responsible for planning a new world monetary order, expressed their intention to conclude their work by the summer of 1974. There was also increasing co-operation to deal with inflation on regional and world levels.

This report is not the place to discuss the consequences of the rise in the price of oil that began in the autumn of 1973 but EFTA cannot overlook them since they are of fundamental importance for the world economy. By the spring of 1974 these developments had already had adverse effects on the international trading system, the maintenance of which in good order is vital to the EFTA countries, all of them heavily dependent on foreign trade for their economic well-being. Moreover, some of the EFTA countries which in 1973 had been in surplus on current account faced serious balance of payments deficits in the following year ; some were confronted with much larger deficits than before.

In these circumstances, it was natural that the use made of EFTA by its participating governments should turn increasingly during the year to more general economic matters than had previously been subjects for discussion within the Association. It was natural also for a group of small countries to emphasise the importance of seeking wider multilateral solutions to problems which could not be overcome—and which might be aggravated—by separate national action. Thus, in the communiqué of their meeting in Geneva of 8th - 9th May 1974, the EFTA Ministers "expressed their conviction that maximum use must continue to be made of multilateral consultations to deal with the economic problems now facing most countries. They emphasised the value to the EFTA countries of the framework which the Association provided for useful exchanges of views on these problems".

The Ministers also recorded a common position on two negotiations relating to world trade of great importance to EFTA. First, in reference to an initiative under consideration in the OECD, they "agreed to support the idea of a declaration by governments to refrain for a fixed period of time

from restrictive trade and other current account measures, including destructive competition in official support of export credit". This they did at the meeting of the OECD Council at Ministerial level towards the end of May 1974 when a trade pledge was accepted. Second, referring to the multilateral trading system of the GATT, the Ministers "reiterated the determination of their governments to preserve and reinforce this system through the new round of multilateral trade negotiations and declared that they were prepared to enter the stage of active negotiation".

The importance of the work being done in OECD, of the multilateral trade negotiations in the GATT and of the efforts of the International Monetary Fund as ways of seeking remedies to these problems was thus underlined also in EFTA.

Nor were these the only matters which were the subject of discussion within EFTA. When the energy problem became acute and it seemed possible that supplies might be unobtainable in quantities sufficient to maintain current levels of economic activity, the EFTA countries informed each other of the positions they would adopt in larger negotiations which were directed at an equitable distribution of available supplies. Later on, when the situation had become less critical, the EFTA countries continued to exchange information on their positions in relation to the international work on the oil situation.

In addition to trade, the Ministers also discussed other matters at their May meeting : inflation ; the risk of a possible recession ; the need for continuing cooperation to ensure reasonable equilibrium in balances of payments and relatively stable exchange rates ; and the indispensable role which multilateral cooperation must play in order to achieve an appropriate distribution of essential commodities.

In short, the year under review saw a double transition in EFTA, first to the new trading relationship with the Communities and second to an enlarged use of the EFTA framework for a useful exchange of views on other economic problems.

II. Internal developments in EFTA

Tariffs and quotas

Tariff reductions on industrial goods

Within EFTA's free trade area only Portugal and Iceland continue to levy import duties on industrial imports from other EFTA countries. In the case of Portugal, the present rate of duty on goods covered by paragraph 4 of Annex G to the Convention is 40 per cent of the basic rate. The rate will be reduced to 30 per cent on 1st January 1975 and to 20 per cent on 1st January 1977, and will be brought to zero by 1st January 1980.

In the case of Iceland, for which the import duties were reduced by 30 per cent on its accession to EFTA on 1st March 1970, the duties were further reduced to 60 per cent of the basic duties on 1st January 1974. They will subsequently be reduced by 10 per cent of the basic rate each year and so be eliminated by 1st January 1980.

Quantitative import restrictions

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

Norwegian import restrictions on roasted starches

In November 1972 the Norwegian authorities introduced quantitative restrictions on the import of roasted starches for certain purposes. The products are included in Part I of Annex D to the Stockholm Convention which lists goods processed from agricultural raw materials (see page 14) to which special provisions apply in EFTA. It is expected that when a system to compensate for differences in the prices of raw materials is introduced in Norway for roasted starches the quantitative restrictions will be withdrawn.

In the meantime restrictions on the import of roasted starches for the food processing industry and for household use are still in force in order to prevent the substitution of duty-free imported roasted starches for the domestically produced unroasted starches, which are treated as agricultural products in EFTA. The Committee of Trade Experts has kept the matter under review.

New industries in Portugal

The Councils have been considering a request from the Portuguese Government to enable it to apply in relation to the EFTA countries certain measures to protect and favour the development of new industries in Portugal which are contained in Article 6 of Protocol No. 1 of its FTA with the EEC and in the corresponding clause in its FTA on ECSC products. These permit Portugal to establish, increase or reintroduce ad valorem duties not exceeding 20 per cent in order to protect new industries not operating in the country when the FTAs came into force.

According to the terms of the Portuguese request, measures of this kind would be applied in relation to the EFTA countries only if they were deemed to be necessary in order not to jeopardise the objectives of those provisions of the FTAs and not to make them inoperative in economic terms. The matter was still under consideration at the end of June 1974.

Swiss import régime for certain fruit and vegetable juices

As a result of an amendment of the Explanatory Notes to the Brussels Tariff Nomenclature and the subsequent inclusion of this amendment into Swiss law, fruit and vegetable juices with a higher water content than natural juices or aerated with carbon dioxide have been transferred to a tariff position subject to free trade in EFTA (falling under Part I of Annex D) from a tariff position falling under Part III of Annex D. The Swiss authorities informed the Councils that they intended to maintain the status quo with regard to the import régime applied until a general solution to the problem was found. The Committee of Trade Experts, after having examined the matter at three earlier meetings during the year, in June 1974 finalised a report to the Councils which set out the different views expressed on the matter.

Origin rules

Changes introduced during the year

Since the Councils have agreed that the rules of origin should be the same in EFTA and in the Free Trade Agreements which each of the EFTA countries has with the EC and since changes were made in the FTA rules through the machinery of the Joint Committees, a number of amendments to the rules under the Stockholm Convention were introduced during the year.

One Decision¹ added new items to the list (contained in Article 25 of Part I of Annex B to the Convention) of materials and parts which, when originating in the original Community or Ireland, may be used in the manufacture of certain finished products without loss of entitlement to EFTA tariff treatment. Most of these new items—among them, hoop and strip of iron and steel for the manufacture of tubes and pipes, unwrought copper for making semi-manufactures of copper, and some additional textiles—were classified as starting materials under the former EFTA origin system and therefore treated as of EFTA origin.

A second Decision² introduced a single movement certificate, EUR. 1, to replace the eight different ones that have been in use since the entry into force of the new origin rules. Another Decision³ amended the rules for tariff heading 19.05 (which covers puffed rice, corn flakes and similar products) to enable durum wheat to be used in the manufacture of an originating finished product. Other amendments⁴ relate to administrative cooperation in Customs matters.

Charges other than tariffs

Finnish import equalisation tax

The Committee of Trade Experts continued to keep under review the import equalisation tax introduced in Finland in June 1971. This tax applies to all imported products which when domestically produced are affected by hidden taxes (taxes occultes). The law on the import equalisation tax has been prolonged so as to be in force also in 1974. The rates of the tax and the methods for its calculation are unchanged.

¹ Decision of the Council No. 15 of 1973 and Decision of the Joint Council No. 9 of 1973.

² Decision of the Council No. 19 of 1973 and Decision of the Joint Council No. 11 of 1973.

³ Decision of the Council No. 21 of 1973 and Decision of the Joint Council No. 13 of 1973.

⁴ Decision of the Council No. 20 of 1973 and Decision of the Joint Council No. 12 of 1973.

The rules of competition

Portuguese scheme for guarantees against exchange rate fluctuations

In July 1972 the Portuguese authorities introduced a scheme to grant exporters guarantees against exchange rate fluctuations. The scheme was examined by the Committee of Trade Experts which found that, on the whole, it had operated in a balanced way during its first year of operation. The charges levied for using the scheme had so far been sufficient to compensate for payments made as a result of exchange rate fluctuations. The Committee is to resume its study of the working of the scheme in the autumn of 1974.

Agriculture and fisheries

Annual review of agricultural trade

The annual review of agricultural trade within EFTA was conducted by the Councils in January 1974 on the basis of a report, prepared by the Secretariat, which was noted by the Councils.

The report showed that intra-EFTA imports of agricultural goods rose by 12.8 per cent in 1972. Intra-EFTA non-agricultural imports increased by 17.0 per cent and total intra-EFTA imports by 16.7 per cent. The increase in imports of Annex D goods was greater than in the previous year, but the share of Annex D goods in total intra-EFTA imports fell from 6.0 per cent in 1971 to 5.8 per cent in 1972. Exports of Annex D goods rose in 1972 by 25.2 per cent and total exports by 15.7 per cent. The share of agricultural products in total exports rose to 5.0 per cent. In terms of exports the increases in intra-EFTA trade of both Annex D goods and of non-agricultural products were somewhat higher than in terms of imports.

Processed agricultural products

New regulations relating to goods processed from agricultural raw materials—mostly, but not exclusively, foodstuffs—are contained in the revised text of Article 21 of and Annex D to the Stockholm Convention and came into force in EFTA from 1st April 1973. For certain goods of this kind which are eligible for Area tariff treatment in EFTA, import levies and other meas-

ures may be used to compensate for differences between the domestic and the world market prices for the raw materials. All such measures must be notified to the Councils.

The Committee of Trade Experts reviewed the price compensation measures that have been applied and has submitted two reports to the Councils. The first, presented just before the beginning of the year under review, contained some conclusions on the interpretation of Article 21 but the Committee did not find it possible at that time to draw any final conclusions on the compatibility of the measures with the provisions of the Article.

In a second report, in December 1973, the Committee concluded that it might be desirable to have guidelines for certain elements of the price compensation systems. The Committee also formed an opinion on most elements of such systems actually applied. Several questions of principle in connection with the guidelines remained unsolved. The Councils instructed the Committee to continue its work with a view to recommending to them, for adoption during the course of 1974, guidelines for the application of price compensation systems.

New bilateral agricultural agreements

The other EFTA countries were informed during the year of three new bilateral agreements on agriculture concluded by Finland, with Austria on 19th December 1973, Norway on 22nd February 1974 and Portugal on 29th January 1973, in accordance with Article 23 of the Convention. The Joint Council noted the agreements.

The agreements provide for the reduction or removal of tariffs on some agricultural products, and for increases in some agricultural quotas, and also contain other more general measures for enlarging trade in agricultural products. The tariff concessions contained in the agreements apply also, according to the same Article, to imports of the same products from other EFTA countries.

Maintaining tariff concessions on agricultural trade

The bilateral agricultural agreements which most EFTA countries had earlier concluded with Denmark, a former member of EFTA, contained tariff concessions which they had granted and which, according to Article 23 of the Convention, were extended to other EFTA countries. When Denmark withdrew from EFTA at the end of 1972 these agreements lapsed, and the countries which had granted the concessions were under no obligation to maintain them in trade with each other. The Councils began to examine the possibility of continuing to maintain the agricultural concessions granted under the lapsed agreements.

Escape clauses, consultations and complaints

The general consultation and complaints procedure

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

Temporary restrictions on Finnish imports of certain consumer goods

A system of import licensing for a number of consumer durables was introduced in Finland on 29th August 1973, as a temporary measure to protect its balance of payments. The Joint Council was notified in advance and subsequently agreed that the matter should be dealt with under the provisions of Article 19 of the Convention which permits a State to adopt quantitative import restrictions for the purpose of safeguarding its balance of payments, and lays down the procedure to be followed in such cases. Accordingly the Joint Council kept the Finnish situation under review and took into account a report on the matter submitted to it, at its request, by the Economic Committee, in December 1973.

At the meeting of the Ministerial Councils in May 1974 the Finnish Minister announced that his Government was prepared to issue the licences automatically so that in substance it was ready to drop the restrictive effect of the system. Details of the new licensing arrangements were subsequently presented to the Joint Council. They were also discussed at the June 1974 meeting of the Economic Committee which expressed its satisfaction that the Finnish authorities were granting automatic import licences. The Committee's report was noted later by the Joint Council.

Norwegian quantitative restrictions on the export of wood

On 3rd December 1973 Norway informed the Councils that it was introducing a licensing system for the export of saw, sawn and planed wood with effect from 4th December 1973 and invoked Article 20 of the Convention on the grounds that a serious shortage of supply was developing in a sector of the economy.

Before the Councils had completed a review of the situation the Norwegian Government decided on 8th March 1974 to abolish the licensing system for saw wood and to grant licences automatically for the export of sawn and planed wood. It also decided to review the remaining licensing system in

June 1974, with the aim of ending it. Informed of these decisions, the Councils agreed on 28th March 1974 that there was no need to continue the examination of the matter and of the application to it of Article 20 of the Convention.

Emergency measures introduced by Portugal

At the meeting in May 1974 of the Ministerial Councils the Portuguese Delegation announced that authority had been given to a special Committee for the Control of External Trade to decide on a system for the licensing of imports and exports, with the possibility of imposing a prohibition on the import and export of certain goods contained in two lists. This emergency scheme was designed to avoid disorderly movements of capital and to ensure the regular supply in Portugal of essential products in the exceptional circumstances in the country. The Ministerial Councils agreed that these temporary measures would be discussed in a spirit of understanding by the Councils at official level and asked the Portuguese Delegation to provide information on the implementation of the measures. The Economic Committee was also asked to examine, in the light of the measures taken by the Portuguese authorities, the present economic situation in Portugal. At the June 1974 meeting of the Economic Committee the delegations from the other countries expressed their understanding of the difficulties facing Portugal, and the Committee formulated the hope that the problems could be solved by the use of measures which would not directly interfere with free trade. Later that month the Councils noted the Committee's report. The Councils also referred the matter to the Committee of Trade Experts which examined the implementation of the measures and presented its report to the Councils at the end of June 1974.

Temporary import deposit scheme in Iceland

On 17th May 1974 the Councils were informed by the Icelandic Delegate that his Government intended to introduce from 20th May a temporary import deposit scheme which would be in force until 30th September 1974. The scheme required cash deposits of 25 per cent against imports to be deposited with the Central Bank for three months, after which it would be refunded with an interest rate of 3 per cent per annum, and the scheme applied to about 60 per cent of commodity imports. The measure was part of a holding action designed to prevent the wage-price spiral in Iceland from getting out of hand and to limit the severe deterioration that had occurred in the country's balance of payments position. The Councils agreed at their next meeting to keep the matter on their agenda. They also asked the Economic Committee to examine, in the light of the measures taken by the Icelandic Government, the present economic situation in Iceland. When the Economic Committee met in June 1974 the other delegations stated their understanding of Iceland's

difficulties, and the Committee expressed the hope that the problems could be solved by the use of measures which would not directly interfere with free trade. The Councils noted the Committee's report.

Technical obstacles to trade

The work done in EFTA on the removal of technical obstacles to trade and possible ways of extending this work have been under review in the course of the year in several contexts. Following instructions from the Ministerial Councils at their meeting in May 1973 the Councils at official level instructed the Committee of Trade Experts to examine a number of aspects. At both meetings of the Consultative Committee held during the year there was also a full discussion of the problems involved. The latest developments in connection with the "reciprocal recognition schemes" for a number of products are summarized on pages 25 to 27.

Review of the INST procedure

One of the matters to be reviewed by the Committee of Trade Experts was the experience so far of the procedure, first adopted in EFTA in 1964, for the advance notification of new or amended technical regulations which are of significance for intra-EFTA trade (the INST procedure). The Committee was to suggest any improvements in the procedure which it might consider desirable. At meetings in November 1973 and in February and June 1974 the Committee carried out this examination. It found several shortcomings in the system, both procedural and practical, and some suggestions for improvements were put forward. The Committee is to revert to the matter in October 1974.

Possibility of new reciprocal recognition schemes

A second matter referred to the Committee of Trade Experts was the possibility of identifying new fields in which the conclusion of arrangements for the reciprocal recognition of tests and inspections would be useful. Enquiries were made of the views of authorities, manufacturers and traders by members of the Committee, and the subject was discussed by the Committee at meetings in November 1973 and in February and June 1974. Some suggestions for new sectors in which arrangements for the reciprocal recognition of tests could be established were put forward. The Committee will revert to this matter also in October 1974.

International cooperation in the elimination of technical barriers to trade

In November 1973 the Councils instructed the Secretariat to study further the work being done by other international organisations on the elimination of technical barriers to trade. The purpose of this study was to ascertain in which sectors, and by which methods, the removal of technical barriers could be facilitated through wider international cooperation. On its completion the Secretariat study was presented to the Council.

The Association with Finland

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

Reorganization of EFTA Committees

A new Committee—the Committee of Origin and Customs Experts—was established¹ in June 1974. Its main task is to advise the EFTA Council on matters relating to the rules of origin in force within EFTA and under the Free Trade Agreements between each of the EFTA countries and the European Communities. For fourteen months these rules had been the subject of thorough discussion at meetings of an informal group of experts from the national administrations of the EFTA countries, and this group was given formal status by the setting up of the new standing Committee. The Customs Committee, which had dealt with Customs aspects of the Stockholm Convention only, was abolished² on the same occasion.

At the same time the mandate of the Committee of Trade Experts was revised.³ The new mandate specifically mentions technical barriers to trade and the examination of price compensation measures according to Article 21 which the Committee has already been dealing with.

¹ Decision of the Council No. 8 of 1974.

² Decision of the Council No. 10 of 1974.

³ Decision of the Council No. 9 of 1974.

The Economic Committee

The Economic Committee, which has the triple task of reviewing the economic situation in the EFTA countries, exchanging views on international economic and monetary developments and consulting on developments in other international organisations, met twice during the year.

At the first meeting, in December 1973, the Committee reviewed economic trends and policies in Finland, discussed the experience of each of the EFTA countries in connection with exchange rate developments, and considered some general economic aspects of the current negotiations on trade and on monetary reform.

At the second meeting, in June 1974, the Committee discussed recent developments and policy decisions in Portugal and Iceland. The national delegations from the other countries expressed their understanding of the special difficulties experienced by these countries, and the Committee voiced the hope that the problems could be solved by the use of measures which would not directly interfere with free trade, and that Portugal and Iceland would find it possible in the very near future to abandon their temporary emergency measures. Recent developments and policy decisions in Finland were also reviewed.

The general economic situation in all the EFTA countries, with specific reference to the effects of the rise in the price of oil, was also discussed by the Committee. It was agreed that this had greatly increased inflationary pressures, both directly and indirectly, and that serious balance of payments problems could arise. The Committee concluded that it would be dangerous to allow the impression to gain hold that the energy problems had been overcome.

In a review of anti-inflationary policies it was stressed that in most cases a mix of direct and selective measures was required to contain inflationary pressures. It was agreed that support should be given to workable proposals for action on a wide international level to prevent the negative international effects of measures taken by individual countries.

The Economic Development Committee

The fifth and most recent EFTA study on aspects of regional policy prepared by EFTA's Economic Development Committee was published by the EFTA Secretariat in November 1973 under the title of "National Settlement Strategies, a framework for regional development". It was received with interest in both EFTA and non-EFTA circles.

At a meeting in December 1973 the Economic Development Committee agreed that the significance for EFTA countries of the emerging regional policies of other international organisations was a worth-while subject for further study by the Committee, as had been suggested by the Chairman of the EDC working party on national settlement strategies. Accordingly the

Councils have agreed that the Secretariat should do as much preparatory work as possible for the new study, notably collecting information about the activities of other international organisations regarding regional development.

The Consultative Committee

The Consultative Committee, which brings together representatives of industry, commerce and the trade unions in EFTA countries, held two meetings under the Chairmanship of the Chairman of the Ministerial Council during the twelve months covered by this report. These meetings, as usual, preceded meetings of the Ministerial Councils, and reports on them formed separate items on the Ministers' agendas. At the Committee's meeting in October 1973 current monetary questions and EFTA's rules of competition were the subjects of special debates ; and at the May 1974 meeting the elimination of technical barriers to trade in EFTA was one of the main themes of discussion.

The Consultative Committee also continued to pay especial attention to the development of closer economic and commercial cooperation in Western Europe, and in particular to the rules of origin in the Free Trade Agreements and the Stockholm Convention.

EFTA Parliamentarians

In September 1973 Parliamentarians from the EFTA countries, assembled as usual in Strasbourg in connection with a meeting of the Consultative Assembly of the Council of Europe, agreed that the possibility of holding future meetings in Geneva should be investigated. This was done, and it is now expected that the next meeting of EFTA Parliamentarians will be held in Geneva in the first half of September 1974.

Information activities

In the autumn of 1973 the Councils carried out a review of the information activities of the Association and came to the conclusion that it was necessary for EFTA to continue to pursue an active information policy. The EFTA Bulletin was to remain the principal channel for information, and it should contain both accounts of developments in EFTA and other articles of interest to the EFTA countries.

A bilingual English-French edition of the Stockholm Convention containing all amendments up to 1st July 1973 was published during the year both in the familiar paperback format, free of charge from the Secretariat, and in a loose-leaf edition, available at an annual fee. Other publications included the 13th Annual Report of the Association and "EFTA Trade 1972", the latest in the annual series of trade studies prepared by the Secretariat. The papers presented at a seminar in Edinburgh in September 1973 were published in book form under the title "Sampling and analytical control" (see page 28).

The EFTA Council and the Finland-EFTA Joint Council

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

The Chairmanship and Vice-Chairmanship of the Councils were held by Sweden and Switzerland respectively for the period 1st July to 31st December 1973. During the six months 1st January to 30th June 1974, Switzerland held the Chairmanship of both Councils, while Austria held the Vice-Chairmanship of the Council and Finland that of the Joint Council.

Administration and Finance

The Secretariat

On 16th July 1973, Mr. Cornelio Sommaruga became the Assistant Secretary-General of the Association following the departure of Mr. Alfred Wacker. Mr. Sommaruga, a Swiss diplomat, had served as Deputy Head of the Swiss Delegation to EFTA, GATT and UNCTAD for more than four years. In April 1974, the EFTA Councils agreed to increase the manning table by one post, bringing the total of the staff to 68. They also approved new Regulations for the Secretariat staff which relate mainly to questions of recruitment and appointment, separation from the service of the Association, salaries and allowances, arrangements for consultation of the staff, the establishment of an advisory board and the right of appeal to the Administrative Tribunal of the International Labour Organisation. In addition, the principle of having EFTA affiliate with another organisation's pension scheme was recognised.

At the end of June 1974 the staff of the Secretariat totalled 65 : of these 29 were in the Professional category and above and 36 were in the General Service grades. The names of the principal officers during 1973-1974 are given on the last page.

Finance

The net budget for the financial year 1973-1974 was 6,178,051 Swiss francs. The budget for the financial year 1974-1975 beginning 1st July 1974 has been established at S.Frs. 7,359,316 gross, which, after deduction of estimated income of S.Frs. 371,700, leaves a net sum of S.Frs. 6,987,616 to be financed by contributions from EFTA States.

The scale of contributions to the EFTA budget is determined each year by reference to the gross national products at factor costs of the EFTA countries, none being required to contribute more than 30 per cent of the net expenditure of the Association. The individual national contributions for 1973-1974 were on the following basis (the figures assessed for 1974-1975 are shown in brackets) : Sweden 30 per cent (30 per cent), Switzerland 24.688 per cent (25.169 per cent), Austria 14.844 per cent (15.101 per cent), Norway 12.031 per cent (11.640 per cent), Portugal 5.937 per cent (5.820 per cent), Iceland 1.562 per cent (1.573 per cent). The contribution of Finland, which is an Associate Member, was 10.938 per cent (10.697 per cent).

III. Cooperation in other fields

The reciprocal recognition schemes

During the year there were separate meetings of the national authorities or institutions participating in each of the four schemes, worked out originally in EFTA, for the reciprocal recognition of tests and inspections carried out on certain kinds of products. The basic principle in each of these schemes is that the authority responsible for the approval of these products in each of the importing countries has undertaken to accept the tests and inspections performed by the corresponding authorities or testing institutions in the exporting countries. The effect of the schemes is to avoid the additional cost and delay in time resulting from the obligation to have products tested in the importing country.

Although the schemes were devised under the auspices of EFTA they are not based on the Stockholm Convention but constitute separate agreements and are therefore independent of EFTA. The EFTA Secretariat, however, provides secretarial services for each of the schemes.

The principle of the reciprocal recognition of tests and inspections also underlies the Conventions relating to pharmaceutical products and precious metals which are mentioned on pages 27-28. For them also the EFTA Secretariat provides secretarial services.

Pressure vessels

The scheme relating to pressure vessels, which came into force on 1st January 1971, covers products ranging from aerosol cans and gas bottles to petrochemical equipment and electricity generating boilers. The parties to the scheme are the authorities responsible for approving such vessels in the seven EFTA countries : Austria, Finland, Iceland, Norway, Portugal, Sweden and Switzerland, and the two former EFTA countries, Denmark and the United Kingdom.

At a meeting in Geneva in May 1974 these authorities reviewed the operation of the scheme. They thought that the scheme had worked satisfactorily, although it was difficult to separate its effects on trade from those of other factors influencing international trade in these products. It was agreed

that more detailed information should be collected about the extent to which the scheme is being used. There was also agreement that it would be useful if information about the facilities provided by the scheme were more widely spread among manufacturers and traders. A leaflet explaining the scheme is to be distributed to manufacturers concerned.

Ships' equipment

The scheme on ships' equipment, which also came into force on 1st January 1971, covers tests and inspections on any kind of ships' equipment, such as life-saving and fire-fighting equipment, which is subject to the requirements and approval of a national authority. The participants in the scheme are the maritime administrations in five EFTA countries : Finland, Iceland, Norway, Portugal and Sweden, in the two former EFTA countries, Denmark and the United Kingdom, and in Yugoslavia.

At a meeting of these authorities in January 1974 common requirements for lifeboat canopies were established and the possibility of setting up common requirements for other items of ships' equipment was examined. At previous meetings agreement had been reached on common requirements for lifeboat engines, lifeboat davits and winches, glass-fibre reinforced plastic lifeboats, inflatable life-rafts and electro-hydraulic steering gear for passenger ships.

The authorities also discussed at the January 1974 meeting the functioning of the scheme and formed the impression that it was working well. In addition they agreed on measures to obtain more detailed information of the extent to which the scheme is being used. As a means of disseminating knowledge of the scheme among manufacturers and traders, a draft explanatory leaflet was prepared which will be discussed at the next meeting of the authorities.

Agricultural machines and tractors

The scheme relating to agricultural machines and tractors covers tests carried out for operational safety and ergonomics and for road traffic safety, and applies to machines, implements, vehicles and their accessories (other than electrical equipment) for use in agriculture, horticulture and forestry, which are subject to the approval of a national authority. The participants in the scheme which came into force on 1st September 1972, are the competent authorities in each of the present and former EFTA countries, except Iceland.

These authorities met in December 1973 and concluded that the scheme was working well but that knowledge of it should be more widely spread. Some amendments to the text of the scheme were made.

Gas appliances

The scheme on gas appliances covers any appliance using town gas, natural gas and liquefied petroleum gas, or any combination of these, and related accessories and fittings, which are subject to the approval of a national authority. The participants in the scheme are the competent authorities in the present and former EFTA countries.

At their meeting in October 1973 these authorities expressed the view that the functioning of the scheme might be improved if it were known in a larger number of countries. It was therefore decided that the approval bodies in the original EEC countries would be invited to join the scheme. Some of these approval bodies have indicated an interest in attending the next meeting of the participating approval bodies scheduled for October 1974. Agreement was also reached at the October meeting on methods of obtaining more detailed information about the practical working of the scheme.

The Conventions

Pharmaceuticals

The Convention for the Mutual Recognition of Inspections in respect of the Manufacture of Pharmaceutical Products, which entered into force in 1971, is now operating in Austria, Denmark, Finland, Iceland, Liechtenstein, Norway, Portugal, Sweden, Switzerland and the United Kingdom.

The Convention applies to any medicine or similar product, intended for human use, which is subject to control by health legislation. A prerequisite is that each of the Contracting States should have a system of inspection control to ensure that pharmaceutical products manufactured within its territory are produced to appropriate standards. The Convention provides that the Contracting States will exchange, on the basis of these inspections, such information as is necessary for the health authority in an importing country to be able to recognise, as equivalent to its own, inspections carried out in the country of manufacture.

There is also provision for other States, which can apply a comparable inspection system, to accede to the Convention on invitation. The intention is to facilitate the widest participation.

To ensure that the Convention works effectively, and that it is applied in a uniform way, a Committee of Officials composed of officials of the national competent authorities sits once a year at least. Its last meeting was held in February 1974. The Officials reviewed the operation of the Convention and agreed on the organisation by the competent Swiss authorities of a seminar on "Manufacture and Quality Control under Contract" which will take place in Berne at the beginning of July 1974.

A seminar organised under the provisions of Article 8 of the Convention took place in September 1973 at the Pharmaceutical Society of Great Britain, Edinburgh. The theme of this seminar was "Sampling and analytical control". It was attended by inspectors from most of the signatory countries and also from Canada, the Republic of Ireland and Hungary. The papers presented at the seminar have been published in book form.

Precious metals

The Convention on the Control and Marking of Articles of Precious Metals, which was signed in 1972 by representatives of Austria, Finland, Norway, Portugal, Sweden, Switzerland and the United Kingdom, was ratified by Austria in February 1974 and by Switzerland in April 1974. It is to come into force four months after it has been ratified by four of the signatory countries.

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

The Convention is open to accession by other countries. The sole criterion for accession is the existence of a suitable assay office of such technical competence and reliability as to be able to comply with the requirements of the Convention.

A group of experts from the signatory States has met several times to deal with practical questions before the coming into force of the Convention. The last meetings were held in October 1973 and May 1974. A final draft of the Rules of Procedure for a Standing Committee, provided for in Article 10 of the Convention, has been elaborated. Further attention has also been given to the registration of the Common Control Mark with the World Intellectual Property Organisation and to co-ordinating assaying and marking practices.

Patents

In the course of the Diplomatic Conference for the setting up of a European system for the granting of patents, held in Munich from 10th September to 5th October 1973, the European Patent Convention and related instruments were signed. The Convention will provide for the grant, by the European

Patent Office to be established in Munich, of a European Patent having the same effect as a national patent granted in each of the Contracting States named by the applicant.

The work on the creation of a European patent law, which was begun among the EEC countries in 1959 and followed by the establishment of the EFTA Working Party on Patents in 1965, was resumed in 1969 at the Luxembourg Conference on the lines of a proposal by the EFTA Working Party. With the Munich Conference this work was brought to a successful conclusion.

The preparatory work for the coming into force of the European Patent Convention, which is expected for 1976, was pursued by the Interim Committee of the European Patent Organisation which held its first meeting in January 1974 in Munich. The seven working parties and the Executive Committee set up by the Interim Committee took up their work in March and April 1974.

In response to a request from the Munich Conference, and with the agreement of the Councils, the EFTA Secretariat participated in the Secretariat of the Interim Committee and its subsidiary organs, as it did for the Luxembourg and Munich Conferences.

IV. Relations with other organisations

OECD

The Secretariat attended and, when appropriate, reported to Heads of Delegation or the Councils on meetings of various OECD Committees and working parties dealing with general economic questions, the energy situation, and matters relating to trade and industry. Whenever it seemed to be useful the Delegations of the EFTA countries to the OECD countries held consultations before meetings of the Committees.

GATT

Periodic meetings continued to be held between delegations of EFTA countries to GATT for consultation on general trade policy questions of concern to EFTA countries. Similar meetings were held in connection with the examination of the Norwegian and Finnish FTAs in GATT and the request for consultations under Article XXII : 1 of the GATT concerning the rules of origin of EFTA and the FTAs. Members of the Secretariat attended, as observers, GATT meetings of special interest to EFTA.

UNCTAD

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

Council of Europe

The Thirteenth Annual Report of EFTA was presented to the Consultative Assembly of the Council of Europe in September 1973. The EFTA Secretariat continued to follow the activities of the Consultative Assembly and special bodies of the Council of Europe on matters of interest to EFTA.

UN Economic Commission for Europe

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

Nordic Council

Representatives of the EFTA Secretariat attended the 22nd Session of the Nordic Council held in Stockholm in February 1974. The main economic items discussed at the meeting were energy problems and the economic chapter of the Annual Report of the Nordic Council of Ministers which deals with Nordic cooperation in the fields of trade, industry, regional policy and consumer policy.

Customs Cooperation Council

The Secretariat was kept informed of developments in the Nomenclature Committee, the Permanent Technical Committee and in the Harmonised System Committee which is working out a harmonised system for the description and coding of commodities.

WIPO

The Secretariat attended meetings of the World Intellectual Property Organisation (WIPO) which were of interest to EFTA.

Non-governmental organisations

A number of non-governmental organisations are also engaged in fields of interest to the work of the Association such as, for example, the standards writing organisations. The Secretariat maintains close contact with these organisations and Secretariat representatives attended some of their meetings during the period under review.

V. EFTA trade in 1973¹

On 1st January 1973 EFTA was reduced from nine to seven countries as Denmark and the United Kingdom withdrew from EFTA to join the EC. In economic terms these two countries represented about half of the previous EFTA. Their departure cut the total value of the EFTA countries' foreign trade by about 50 per cent and reduced the share of intra-Area trade in total trade.

All data in this section refer to the EFTA of the seven countries and to the EC of the nine, even when comparisons are made with years in which Denmark and the United Kingdom were still Members of EFTA.

In the fourteen years from 1959, the last year before tariff reductions in EFTA began, to 1973, the value of the trade between the seven EFTA countries, measured in terms of exports f.o.b., increased by 805 per cent, i.e. at an average annual rate of 17.0 per cent. Total exports of the seven EFTA countries rose in this period by 443 per cent (12.8 per cent a year) and their exports to the nine EC countries by 417 per cent (12.4 per cent a year). There was a rise of 423 per cent in total EFTA imports (12.5 per cent a year) and of 403 per cent in imports from the EC (12.2 per cent a year).

Total trade

In 1973 the values of both imports and exports of the EFTA countries combined increased much faster than in 1972.

The value of total exports (f.o.b.) rose in 1973 by 37.5 per cent (in 1972 by 20.6 per cent) to 37,216 million US dollars and the value of total imports (c.i.f.) by 35.2 per cent (in 1972 by 15.8 per cent) to 42,756 million dollars.

¹ The dollar values for trade in 1973 are calculated on a weighted average of monthly exchange rates, as supplied by each EFTA country. These rates in units of local currency per dollar were as follows:

	<i>Imports</i>	<i>Exports</i>		<i>Imports</i>	<i>Exports</i>
Austria	20.42	20.36	Portugal	25.55	25.58
Finland	3.81	3.81	Sweden	4.38	4.38
Iceland	89.81	90.31	Switzerland	3.16	3.17
Norway	5.65	5.65			

Since all calculations of trade values are made in terms of US dollars, the recent changes in exchange rates reduce the meaning of a comparison between 1973 and 1972. Rates of growth of exports and imports will of course also differ from those calculated on the basis of national currency data.

The combined trade deficit of the seven EFTA countries amounted thus to 5,540 million dollars.

The biggest percentage increase in total exports, 53.1 per cent, was recorded by Iceland, but Norway also registered an increase of over 40 per cent and all other EFTA countries achieved rises of over 30 per cent. For each EFTA country the growth of exports was higher in 1973 than in 1972.

All EFTA countries also recorded larger increases in total imports in 1973 than in 1972. The percentage rise was again highest for Iceland, 54.4 per cent, while Norwegian imports grew by 42.2 per cent and imports of all the other EFTA countries by over 30 per cent.

Seasonally adjusted figures for the first three months of 1974 show that there was a rise of 5 per cent in the total exports of the EFTA countries in that period, and a rise of 7.4 per cent in their total imports.

Intra-EFTA trade

The value of intra-EFTA trade (measured by exports f.o.b.) rose in 1973 by 33.9 per cent to \$6,867 million. This increase was somewhat less than that of total EFTA exports. In 1972 the intra-Area trade of the seven EFTA countries had risen by 20.4 per cent.

Sweden, which now accounts for by far the largest share in intra-EFTA exports (38.3 per cent), recorded a rise in this trade in 1973 of 42.1 per cent. In relative terms very high increases in intra-EFTA exports were also recorded by Iceland and Norway (43.2 and 37.9 per cent), but all other EFTA countries also experienced remarkable increases, and even the smallest relative rise, 18.9 per cent for Finland, was high.

Sweden also accounts for the largest share in intra-EFTA imports (28.0 per cent), followed by Norway (21.6 per cent). Iceland's intra-EFTA imports recorded a very steep rise of 86.2 per cent in 1973 and those of Portugal, Austria and Finland rose by 49.7, 37.5 and 38.0 per cent. Both Sweden and Norway increased their imports from their partners in EFTA by a third.

The three months' moving averages of seasonally adjusted data show that there was a rapid rise in intra-EFTA trade in the first part of 1973, followed by a fall in August and a renewed acceleration in November. A new fall was recorded in December. In the first three months of 1974 intra-EFTA trade increased by 11.7 per cent, calculated on the basis of seasonally adjusted statistics.

Trade with the EC

The exports to the EC of the seven EFTA countries combined rose in 1973 by 37.3 per cent (18.9 per cent in 1972) and imports from this area by 34.6 per cent (17.0 per cent in 1972), reaching \$17,868 and \$24,243 million respectively. Trade with the EC increased thus at about the same rate as the

total trade of the EFTA countries, while exports to the EC rose more than intra-EFTA exports. In relative terms the increases in Portuguese, Swedish and Finnish exports to the EC, at some 40 per cent, were particularly large.

On the basis of three months' moving averages of seasonally adjusted figures trade with the EC accelerated from July to September, but fell in December. For the first three months of 1974 the seasonally adjusted figures show a rise of 6.1 per cent in EFTA exports to the EC and of 1.8 per cent in EFTA imports from the EC.

EFTA trade with the United States

Exports from the EFTA countries to the USA increased in 1973 by 22.3 per cent (25.7 per cent in 1972) and reached \$2,403 million. Imports from the USA rose by 27.8 per cent (11.8 per cent in 1972) to \$2,497 million. As usual, EFTA trade with the USA showed large month-to-month fluctuations, especially exports. Imports from the USA fell from January until April 1973, but have increased steadily since then. In the first three months of 1974, on the basis of seasonally adjusted figures, imports from the USA rose by 7.9 per cent, while exports to the USA fell by 17.5 per cent.

EFTA trade with Eastern Europe

EFTA trade with Eastern Europe also increased more in 1973 than a year earlier. Imports rose by 37.7 per cent to \$2,245 million and exports by 38.7 per cent to \$2,266 million. The greatest relative increases were recorded by Sweden and Switzerland.

EFTA trade with the rest of the world

EFTA countries' exports to the rest of the world rose in 1973 by 46.6 per cent to \$7,812 million and imports by 39.8 per cent to \$6,895 million. The rate of increase was greater than that for trade with Eastern and Western European countries and with the United States, and was mainly the result of the increased trade of Sweden and Switzerland, who now jointly account for some 60 per cent of EFTA trade with the rest of the world. There was also a marked increase in Norwegian exports and in Icelandic trade in both directions with these countries.

EFTA TRADE IN 1973

Table 1

(in million US dollars and percentage changes 1972-1973)

Reporting country	EFTA		EC		USA		Eastern Europe		Rest of world		Total world	
	\$ mill.	%	\$ mill.	%	\$ mill.	%	\$ mill.	%	\$ mill.	%	\$ mill.	%
<i>Imports (c.i.f.)</i>												
Austria	813.4	37.5	4,368.4	29.2	207.4	23.8	568.4	30.0	812.3	35.8	6,769.9	30.8
Finland	1,115.5	38.0	1,772.5	31.4	204.7	45.6	682.2	36.9	566.2	40.7	4,341.1	35.7
Iceland	82.1	86.2	159.0	31.0	26.4	43.5	31.6	33.3	56.6	148.2	355.7	54.4
Norway	1,486.0	32.4	2,810.4	43.0	384.4	42.1	179.6	31.8	1,358.6	54.7	6,219.0	42.2
Portugal	333.9	49.7	1,295.8	28.4	234.3	20.5	26.9	36.5	973.3	31.7	2,864.2	31.1
Sweden	1,927.4	33.0	5,853.7	34.3	702.2	21.9	508.2	43.2	1,593.6	28.9	10,585.1	32.7
Switzerland	1,118.4	31.9	7,983.1	36.9	737.2	25.9	247.8	55.5	1,534.3	45.4	11,620.8	37.0
Total EFTA	6,876.7	35.2	24,242.5	34.6	2,496.6	27.8	2,244.7	37.7	6,895.3	39.8	42,755.8	35.2
<i>Exports (f.o.b.)</i>												
Austria	912.2	24.0	2,465.5	31.2	209.0	20.0	597.7	31.8	836.3	36.9	5,020.7	30.3
Finland	875.3	18.9	1,777.1	38.1	169.8	19.6	546.8	21.8	467.9	40.4	3,836.9	30.2
Iceland	46.1	43.2	113.6	83.2	77.8	34.1	23.9	10.1	27.8	85.3	289.2	53.1
Norway	962.0	37.9	2,216.6	34.6	250.0	5.6	140.0	47.8	1,111.3	83.7	4,679.9	42.6
Portugal	243.9	27.1	850.3	40.7	172.0	25.5	10.3	32.1	473.6	37.0	1,750.1	36.0
Sweden	2,631.6	42.1	6,105.1	40.3	736.9	19.0	520.9	60.7	2,110.6	40.2	12,114.1	40.0
Switzerland	1,195.9	35.1	4,340.2	36.2	787.1	30.9	426.5	50.5	2,775.3	45.7	9,525.0	38.8
Total EFTA	6,867.0	33.8	17,868.4	37.3	2,402.6	22.3	2,266.1	38.7	7,811.8	46.6	37,215.9	37.5

Source : OECD Series A

INTRA-EFTA TRADE IN 1973

Table 2

(Exports f.o.b., in million US dollars and percentage changes 1972-1973)

Importer		Austria	Finland	Iceland	Norway	Portugal	Sweden	Switzerland	EFTA
Exporter									
Austria	\$ m.		68.3	1.7	59.9	44.9	188.1	549.4	912.2
	% change		33.9	54.5	17.0	36.9	21.5	23.5	24.0
Finland	\$ m.	43.8		9.4	158.3	13.6	575.6	74.6	875.3
	% change	58.7		104.3	26.8	58.1	11.7	35.6	18.9
Iceland	\$ m.	2.3	5.2		4.4	13.5	6.9	13.7	46.1
	% change	27.8	36.8		91.3	33.7	27.8	55.7	43.2
Norway	\$ m.	32.8	117.2	35.9		20.2	705.2	50.8	962.0
	% change	45.1	35.8	169.9		— 16.2	36.8	41.5	37.9
Portugal	\$ m.	28.8	32.7	1.1	30.3		99.4	51.6	243.9
	% change	37.8	32.4	0	32.9		19.8	31.0	27.1
Sweden	\$ m.	206.3	804.4	25.1	1,145.4	131.6		318.8	2,631.6
	% change	36.3	48.2	60.9	38.9	97.0		27.2	42.1
Switzerland	\$ m.	573.1	102.7	4.1	114.6	131.5	269.9		1,195.9
	% change	41.7	30.5	— 2.4	28.0	50.1	22.3		35.1
EFTA	\$ m.	887.1	1,130.5	77.3	1,512.9	355.3	1,845.1	1,058.9	6,867.0
	% change	41.1	43.6	94.2	35.6	54.5	23.5	26.9	33.9

Appendix

Ministerial meetings of EFTA Councils

Geneva, 22nd November 1973

Communiqué

The EFTA Council and the Joint Council of EFTA and Finland met at Ministerial level in Geneva on 22nd November 1973, under the Chairmanship of Mr. Kjell-Olof Feldt, Minister of Commerce of Sweden.

Ministers emphasised the great importance they continue to attach to the free trade area existing between the EFTA countries on the basis of the Stockholm Convention as revised in 1973. The value of this cooperation had been further illustrated by the substantial increase this year in intra-EFTA trade, an increase shared by all the EFTA countries. In reviewing the current activities of the Association, Ministers noted that the Councils at official level were now examining possibilities of further strengthening cooperation for the reduction of technical obstacles to trade. As hitherto, this work would aim at enlarging both the scope and the area of concerted action and Ministers underlined the value of close cooperation with other international organisations in their activities in this field.

In their discussion of the trade relations of the EFTA countries with the enlarged European Communities, Ministers noted with satisfaction that, with the signature in October of the Free Trade Agreements between Finland and the Communities, all seven EFTA countries now have Agreements with the Communities which would lead to free trade in most industrial products by mid-1977. The Agreements in force were functioning well; useful work had been done, inter alia, with regard to the application of the rules of origin; and the meetings of the Joint Committees set up under the Agreements had been characterised by a spirit of cooperation.

Ministers reaffirmed that the further development of trade and other economic cooperation with the socialist countries continued to form an important part of the policy of the EFTA Governments.

Ministers discussed the present world trade, economic and monetary situation. They noted that total trade had risen considerably in 1973 despite the difficulties caused by the unstable monetary situation. The fact that inflationary pressures were persisting and had even been given recently a new impulse gave cause for concern about the future and underlined the need for energetic action by all the countries concerned.

In view of the importance of world trade in general for all the EFTA countries, Ministers reaffirmed the determination of their Governments, already expressed in the Tokyo Declaration, to participate actively in the new trade negotiations within the framework of GATT. They stressed the importance of their being both comprehensive and multilateral. These negotiations should lead to a further liberalisation of world trade and to a better balance, as between developed and developing countries, in the sharing of advantages resulting from the expansion of world trade. The immediate goal must be to give the necessary impetus to the work of the Trade Negotiations Committee by the adoption of a work programme in line with the intentions laid down in the Tokyo Declaration.

The next meeting of the EFTA Ministers will take place in Geneva on 9th May 1974.

Geneva, 8th and 9th May 1974

Communiqué

The EFTA Council and the Joint Council of EFTA and Finland met at Ministerial level in Geneva on 8th and 9th May 1974. The meeting was chaired by the Head of the Federal Department of Public Economy of Switzerland, Mr. Ernst Brugger, President of the Swiss Confederation.

While welcoming the continued growth of intra-EFTA trade, Ministers discussed developments within the Association against the background of a difficult world economic situation, characterised by high rates of inflation, sharply increased prices for oil and other primary products and continuing risks of international monetary disturbances. Ministers expressed their conviction that maximum use must continue to be made of multilateral consultations to deal with the economic problems now facing most countries. They emphasised the value to the EFTA countries of the framework which the Association provided for useful exchanges of views on these problems.

In the field of trade, Ministers agreed that governments would do their utmost, consistent with existing agreements and rules, to avoid action in dealing with balance of payments or sectoral difficulties which could be counter-productive in itself and would be prejudicial to the world trading system. They therefore agreed to support the idea of a declaration by governments to refrain for a fixed period of time from restrictive trade and other current account measures, including destructive competition in official support of export credit.

Ministers emphasised that within EFTA the Stockholm Convention constituted a most valuable body of rules for the continuation of free trade. Ministers stressed that the Free Trade Agreements between the EFTA countries and the European Communities were intended to play a similar role for the trade relations between the two groups of countries. The rules of the GATT provided a framework for the maintenance of the multilateral trading system and for its further liberalisation; Ministers reiterated the determination of their governments to preserve and reinforce this system through the new round of multilateral trade negotiations and declared that they were prepared to enter the stage of active negotiation.

Ministers agreed that high priority must be given to national and international efforts to fight inflation, but that governments should avoid policies which might make it more difficult for others to maintain reasonable rates of economic growth. With respect to the international monetary situation, Ministers stressed that continuing cooperation was decisive in ensuring reasonable equilibrium in balances of payments and relatively stable exchange rates. Ministers believed also that multilateral cooperation was indispensable

to achieve an appropriate distribution of essential commodities. In this connection, they stressed the value of a constructive dialogue between producer and consumer countries.

Ministers expressed their concern that the economic situation of many developing countries had been very seriously affected by rapidly rising import prices. They stressed that a broadly-based additional international effort would be essential to ensure the development of those countries. The EFTA Governments were ready to play their full part in this cooperation. In this connection Ministers stressed the importance of the recent special session of the UN General Assembly.

Ministers welcomed the growth and broadening of East-West economic relations and considered that there was ample room for continued mutual efforts on the bilateral as well as multilateral level to develop trade and other economic cooperation.

The Portuguese Delegate informed the Councils about the far-reaching changes now taking place in Portugal. He stated the intention of the Portuguese authorities to promote profound modifications in the structures of the country by means of the establishment of democratic institutions. He also expressed the determination of his authorities to lay down the foundations of a new socially-oriented economic policy and to enlarge and diversify Portugal's international relations on the basis of friendship, cooperation and respect for international obligations. Ministers expressed the sympathy with which they were following the developments now taking place in Portugal and hoped that the present process of transition would achieve results which would serve the best interests of the Portuguese people. They were informed of the transitional measures taken by the Portuguese Administration to meet short-term economic difficulties and decided to examine them in EFTA in a spirit of understanding for the current exceptional circumstances.

At the invitation of the Finnish Government, the next meeting of the EFTA Councils at Ministerial level will take place in Helsinki on 31st October and 1st November 1974.

European Free Trade Association
July 1973 - June 1974

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Administrative Section. Director : R. Girod

EFTA SECRETARIAT HEADQUARTERS

9-11, rue de Varembé, 1211 Geneva 20, Switzerland

Telephone : (022) 34 90 00 Telex : 22660

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