

1974-1975

Fifteenth Annual Report
of the
European Free Trade
Association



Geneva-September 1975

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I. The year in EFTA : July 1974 - June 1975

When the Ministers of the seven EFTA countries met in Geneva in May 1975, shortly after the fifteenth anniversary of the European Free Trade Association, they marked that occasion by emphasising the importance they attached to the maintenance of free trade and to continued cooperation in EFTA. The seven nations contribute to, and depend on, world trade to a large extent. The forty million inhabitants of the EFTA countries form only 1 per cent of the population of the world, but their exports account for 7 per cent of world trade. Their importance as markets is even greater for they absorb as much as 9 per cent of world imports.

After a long row of years in which world trade expanded there was a fall in the volume of world trade in the year under review. The prices of many primary commodities no longer continued to rise, production began to fall and unemployment to grow both in Western Europe and in other industrial areas. Inflationary pressures remained high, and the oil-consuming countries as a whole experienced considerable current account deficits on their balances of payments. The balance of payments of some of the EFTA countries deteriorated further and the continued instability of exchange rates created particular difficulties for some countries. Falling activity in some of the larger countries in the world also had unfavourable effects on the EFTA countries.

Because of their great dependence on international trade the economies of the EFTA countries inevitably suffered from the world recession. Their industries, which to a very large extent have concentrated on the manufacture of advanced industrial products, needed expanding markets if they were to operate near to their full potential. The development of internal prices in the EFTA countries was strongly influenced by the world-wide inflation. As a result the Association had to give closer attention to more general economic trends. It was increasingly acknowledged that comprehensive international cooperation was required if decisive progress was to be made in dealing with world economic problems. Wide-ranging cooperative action was essential both to improve the payments system and to reinforce the liberal trade system which had done so much to raise living standards throughout the world.

Each of the EFTA countries had its own particular problems and developed its own economic policies to deal with them, but there was a growing exchange of information and increasing consultation between the EFTA countries particularly on matters which were the subject of discussions or negotiations in other international organisations with wider geographical

bases. An example is the consultation that had taken place between the EFTA countries as the Organisation for Economic Cooperation and Development (OECD) worked out the Trade Declaration, adopted in May 1974, according to which the OECD nations would refrain for a year from adopting measures to restrict trade. This Declaration helped to reduce the danger of unilateral actions which would have worsened the international economy. During further consultations in EFTA during the year under review Ministers stressed the importance of renewing the Declaration which was in fact extended for a further year.

The possibilities which the relationship in EFTA provided for consultations on such international problems was examined during the year. Experience had shown that the EFTA countries could benefit if they cooperated not only in matters directly related to their own free trade system but also in matters related to the attainment of such general objectives of the Association as the sustained expansion of economic activities in the EFTA countries and the harmonious development and expansion of world trade. It was therefore agreed that further use could be made of the opportunities provided by the EFTA relationship for consultation on trade questions as well as on other economic issues related to the objectives of the Stockholm Convention.

Further progress was made during the year towards the achievement of free trade between the EFTA countries and the European Communities. On 1st January 1975 the third tariff cut was made under the Free Trade Agreements which each of the EFTA countries has with the EC, which take as much as 45 per cent of their total exports. Only two more years remain before the tariffs will be completely removed, on 1st July 1977, on almost all industrial trade between all the sixteen countries in EFTA and the EC. The industrial free trade between the EFTA countries and their former partners Denmark and the United Kingdom has not been interrupted by the accession of these two countries to the EC but is maintained through the Free Trade Agreements. No progress was however made during the year towards the implementation of the most important provisions for Iceland of the Free Trade Agreement between Iceland and the EC. Within EFTA itself the only tariffs which remain on industrial products are those in force in Portugal, which from the start was given a longer period for the dismantling of tariffs, and in Iceland, which acceded to EFTA in 1970.

One of the main tasks carried out in EFTA during the year under review was a thorough examination, completed in the spring, of the rules of origin which need to be fulfilled if products are to be imported free of duty in trade within EFTA, or at reduced tariff rates under the FTAs. The conclusion reached was that it would be possible to improve the system and to simplify and adapt the present rules without endangering the necessary protection against trade deflection. Since the rules applied in EFTA are identical with those contained in the FTAs, identical proposals to this end were submitted by each of the EFTA countries to the Commission of the European Communities in March 1975.

Another of the main tasks of the year was to carry further the work already done on technical barriers to trade. One part of this work concerned

the relations between the EFTA countries themselves because it involved reviewing the arrangements designed to ensure that no new barriers to trade within EFTA arise as a result of new technical regulations in the seven countries. It has, however, always been recognised that EFTA provides too narrow a basis for the creation of standards, and that the removal of obstacles in this field should instead be pursued by giving maximum support to the work of the international standards organisations. As a means of surmounting the obstacles without establishing new barriers to trade, the distinctive EFTA approach has been founded on the principle of the reciprocal recognition of tests and inspections which allows for the participation of other countries. The year's work involved both the identification of new fields in which this principle might be applied—and two were picked out for this purpose—and efforts to extend to other countries the participation in arrangements already initially elaborated in EFTA. In addition, a careful study was made of ways of removing technical obstacles to trade and in particular of finding suitable methods of cooperating actively in the efforts made in this field in Europe.

The Councils also considered a request from Portugal for aid. When the Councils met at Ministerial level in Helsinki at the end of October 1974 the Ministers were informed of the economic difficulties which were being experienced by Portugal. At that time, two EFTA Governments were already engaged in bilateral talks on ways of assisting that country, and it was suggested at the meeting that EFTA might be used as a framework for discussion on how best to help a democratic development in Portugal. The Portuguese Government subsequently proposed a number of fields within which support might be provided by a variety of tariff measures and by specific types of technical and other assistance. When the Ministers met again shortly afterwards, in May 1975, they were informed that investment in Portugal was stagnating, external demand was slackening, unemployment was rising and the deficit in the balance of payments was increasing sharply so that there was a pressing need for substantial assistance from the EFTA countries. The Ministers agreed that the possibilities of implementing the Portuguese proposals would have to be considered in detail as a matter of urgency.

In February 1975 the Multilateral Trade Negotiations within the framework of GATT, for which preparations had begun in Tokyo in September 1973, moved into the active stage and a number of groups were set up to deal with specific sectors. The negotiations cover both tariffs and non-tariff barriers to trade, and concern agricultural and tropical as well as industrial products. The EFTA Ministers, who had supported the new round of negotiations from the start, welcomed the start of the substantive stage in the conviction that it was essential not only for the further liberalisation of world trade but also for the improvement of the international framework for the conduct of trade. There had been many changes in the international economic situation since the Tokyo meeting, and the importance of the negotiations in the new situation was even greater than before. The new round should also result in additional trade benefits for the developing countries.

With the same concern for the liberalisation of trade, the EFTA countries have also discussed within the framework of the Association a number of other aspects of world trade, including the oil situation, the need for cooperative relations between the oil-producing and the oil-consuming countries, the importance of the stability of prices and supplies of raw materials, the need for continuing efforts to assist in the appropriate international organisations the developing countries most in need, the significance of trade and other forms of cooperation between East and West, and the value of liberal practices in world shipping.

II. Internal developments in EFTA

Tariffs and quotas

Tariff reductions on industrial goods

The trade between the EFTA countries now amounts to almost 10,000 million dollars a year, of which some 97 per cent is entitled to full freedom from import duties and from quotas.

Since the end of 1966, or 1967 in the case of Finland, only Portugal and Iceland are still permitted to levy import duties on industrial products imported from other EFTA countries. In the case of Portugal the rate of duty on goods covered by paragraph 4 of Annex G to the Convention was cut to 30 per cent of the basic rate on 1st January 1975, in accordance with the timetable contained in that paragraph. This provides for a reduction to 20 per cent on 1st January 1977 and to zero by 1st January 1980.

In the case of Iceland, where import duties were reduced to 70 per cent of the basic duties on its accession to EFTA on 1st March 1970, and to 60 per cent on 1st January 1974, there was a further reduction to 50 per cent on 1st January 1975. They will be reduced by 10 per cent of the basic rate at the beginning of each subsequent year until they are brought to zero by 1st January 1980.

Quantitative import restrictions

Quantitative import restrictions on industrial products have been abolished by all EFTA countries (except Iceland) since 31st December 1966. Iceland abolished its quantitative restrictions, as foreseen in the Council Decision on the accession of Iceland, from 1st January 1975, with the exceptions mentioned on page 16.

Origin rules

Changes introduced during the year

Since the same rules of origin apply in EFTA and in the Free Trade Agreements which each of the EFTA countries has with the European Communities, a number of identical amendments were introduced during the year

in order to simplify and improve the rules under the Stockholm Convention and the FTAs. In EFTA the amendments were made by Decisions of the Council which in each case were also applied to trade between the EFTA countries and Finland by Decisions of the Joint Council.

By one decision¹ the Councils added a new paragraph in Article 8 of Part I of Annex B, according to which accessories, spare parts and tools dispatched with a piece of equipment, machine, apparatus or vehicle are regarded as one with the article with which they are dispatched, if they are part of the normal equipment and included in the price for it or not separately invoiced. There is accordingly no longer any need for separate consideration of the origin of such accessories, spare parts or tools.

The Councils also established² a simplified procedure for the issue of EUR.1 movement certificates for all consignments of goods other than postal consignments of small value. Under this new procedure exporters may use EUR.1 movement certificates which have either been endorsed beforehand by a Customs office in the country of export, or are endorsed by the exporter himself with a special stamp. The new procedure is intended for exporters who make frequent shipments and who can provide the guarantees necessary for the verification of the origin of the products.

The Councils also³ made some changes in, and added some items to, Lists A and B in Annex B to the Convention. The amendments concern a small number of chemical products, silk waste and yarn, flax, fire-resisting clothing, some unwrought non-ferrous metals, radio and television sets (transmission and reception apparatus) and amplifiers, some camping furniture and a few other types of product. The changes were made with the intention of adapting the rules to the evolution of manufacturing techniques for these products and to the international economic conditions for trade in them.

Drawback

By another Decision⁴ the application of paragraph 1 of Article 23 of Part I of Annex B to the Convention was suspended until 31st December 1975. This Article prohibits drawback or remission of Customs duties on materials of third country origin used in the manufacture of goods which are to benefit from the free trade provisions. The postponement of the application of this rule in relation to materials which have their origin in the EEC, as originally constituted, or in Ireland, and are incorporated in products

¹ Decision of the Council No. 11 of 1974 and Decision of the Joint Council No. 2 of 1974.

² Decision of the Council No. 12 of 1974 and Decision of the Joint Council No. 3 of 1974.

³ Decision of the Council No. 15 of 1974 and Decision of the Joint Council No. 4 of 1974.

⁴ Decision of the Council No. 16 of 1974 and Decision of the Joint Council No. 5 of 1974.

traded between EFTA countries, was intended to provide time for consideration, in common with the EEC, of how the no-drawback rule could be simplified. The consideration will also cover the question whether this no-drawback rule should be harmonised with the no-drawback provision already applicable in trade in products originating in an EFTA country or in the two former EFTA countries, Denmark and the United Kingdom.

Further review of origin rules

In March 1975 identical proposals for further changes in the origin rules in the FTAs were submitted by each of the EFTA countries to the Commission of the EC. In the opinion of the EFTA countries the rules had been in force long enough—since 1st April 1973—for certain conclusions to be drawn from the experience of the working of the system, and in each of the EFTA countries the functioning of the rules had been the subject of thorough investigation. The Committee of Origin and Customs Experts, which had been established in June 1974, held a series of meetings to study a number of suggestions. With the aim both of simplifying the rules and of adapting them to the continuous economic development and to the conditions of international trade, the Committee recommended a number of amendments both of a general and of a specific nature.

The proposed changes included a wider use of a percentage criterion to be applied if possible as an alternative to the present rule which in principle requires a change of tariff heading. A percentage rule would entitle a product to FTA tariff treatment if the value of any materials from third countries does not exceed a certain percentage of the value of the finished products. Another submission of a general nature was that there should be a widening of the cumulation rules, that is, of the possibilities that a product may obtain the status of originating product as a result of consecutive production processes in several EFTA countries or in the EC even if each single process is insufficient to confer on it the status of originating in a particular EFTA country or in the EC. In addition there were a number of specific suggestions for changes in the rules for particular products. The Councils agreed to recommend that the EFTA countries should submit the proposals to the Commission of the European Communities.

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. The tax applies to all imported products which, when produced in Finland, are

affected by hidden taxes (taxes occultes). The law on the import equalisation tax was prolonged so as to be in force throughout 1975. The tax rates and the methods for its calculation are unchanged.

Other border charges

A number of charges imposed at the borders of EFTA countries—such as fees for special Customs services, statistical charges, town dues and traffic fees—were examined by the Committee of Trade Experts during the year. Such an examination is carried out from time to time in order to ensure that any such charges contain no protective or restrictive element and do not exceed the actual cost of services rendered. The Committee is expected to complete a report on this matter in the autumn of 1975.

The rules of competition

Portuguese scheme for guarantees against exchange rate fluctuations

The scheme introduced in Portugal in July 1972 to grant exporters guarantees against exchange rate fluctuations was suspended from 1st January 1975. The Committee of Trade Experts therefore decided to resume its study of the working of the scheme only if the suspension was withdrawn.

Agriculture

A number of questions relating to trade in agriculture appeared on the agenda of the Councils during the year in accordance with the relevant provisions of the Stockholm Convention. In this sector the objective of the Association is to facilitate the expansion of agricultural trade, and the EFTA countries have to have regard in pursuing their national policies on agriculture to the interests which their partners have in the export of agricultural goods. For this reason a review of trade in this sector is undertaken each year by the Councils, and the content of certain bilateral agreements between EFTA countries has to be communicated to the Councils before they come into effect. There were also extensive discussions on the application of the provisions of the Convention, contained in Article 21, relating to goods processed from agricultural raw materials.

Annual review of agricultural trade

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

The report showed that the intra-EFTA imports of agricultural goods amounted in 1973 to only 2.6 per cent of the total intra-Area imports, but that the increase in the value of intra-EFTA imports of agricultural goods was 52.9 per cent, compared with a 35.2 per cent rise in total intra-EFTA trade. The largest market for intra-EFTA imports of agricultural goods was Sweden which took 30.6 per cent of the total and was also the biggest source of intra-EFTA exports of agricultural goods. The figures given cover the trade in agricultural goods which do not benefit from EFTA tariff treatment.

New bilateral agricultural agreements

Three new bilateral agreements on trade in agricultural products came into force between EFTA countries during the year: between Finland and Norway on 1st September 1974, between Austria and Finland on 1st October 1974 and between Finland and Portugal on 19th December 1974. Their coming into force was notified to the other EFTA countries, which had been informed in advance of their contents.

The agreements provide for the reduction or removal of tariffs on some agricultural products and also contain other more general measures for enlarging trade in agricultural goods. The tariff concessions made in the agreements also apply, according to Article 23 of the Convention, to imports of the same products from other EFTA countries.

Maintaining tariff concessions on agricultural trade

Most EFTA countries had made tariff concessions to Denmark in earlier bilateral agreements on agricultural trade with that country, and in conformity with Article 23 the concessions were extended to the other EFTA countries. After these agreements lapsed with the withdrawal of Denmark from EFTA at the end of 1972 the question was raised how these concessions could be preserved in trade between the seven EFTA countries. The outcome of the discussions that followed was that Finland, Norway, Portugal and Switzerland, the countries which had made such tariff concessions, announced that they would maintain the substantial part of these concessions on an autonomous basis, and this undertaking was noted by the Councils in December 1974.

Processed agricultural products

The application of the regulations in the Stockholm Convention relating to certain goods processed from agricultural raw materials was the subject of thorough discussion in EFTA during the year. The goods are eligible

for EFTA tariff treatment but the raw materials are not. The prices at which the raw materials are available differ however from country to country, and the competitiveness of the industries that process them can therefore be affected.

According to paragraph 1 (c) of Article 21 of the Convention in the revised text that came into force from 1st April 1973, import levies and other measures may be used to compensate for differences between the domestic prices and the world market prices for the raw materials incorporated in certain processed agricultural products. All such measures must be notified to the Councils. The measures notified have been kept under review in the Committee of Trade Experts which, in December 1974, presented its third report to the Councils.

In this report the Committee recommended certain guidelines which should be used in applying such measures in order to ensure that, as the Convention requires, the compensation does not exceed the differences between the domestic prices and the world market prices. A major part of this task involved defining the relevant world and domestic prices for skimmed milk, whole milk powder, butter, refined sugar and cereals, which are the commodities most extensively used in the manufacture of the products concerned.

Before the Committee had concluded its report the prices of a number of these raw materials, and particularly of sugar, had risen substantially, to a point at which they were equal to or above the domestic prices in several EFTA countries. A special meeting of the Committee of Trade Experts was therefore convened in February 1975 with the aim of making proposals in common for solutions to be applied in EFTA.

The problems caused by the rise in sugar prices had led to action being taken in several EFTA countries. Iceland planned to deal with the difficulties created for its chocolate and confectionery industry as a result of the high world price of sugar, of which there is no domestic production in Iceland, by introducing a system of compensatory levies but was not in a position to introduce one rapidly. It therefore informed the Councils in December 1974 that as a temporary measure it would have to maintain quantitative restrictions on the import of certain goods containing sugar. According to the terms of Iceland's accession to EFTA these restrictions should have been eliminated by the end of 1974. The Councils raised no objection to the temporary postponement on the understanding that the restrictions should not work to the detriment of intra-EFTA trade.

Austria also notified the Councils in December that as a temporary measure it had introduced, with effect from 14th December, a system of export licences for certain products containing sugar. The import and export of sugar had always been subject to licensing, and no export licences were granted when the world market price was above the domestic price in Austria. Because of the high world market price an internal allocation system had been introduced to safeguard the supply of sugar to consumers and ensure an equitable distribution of Austrian sugar to industries processing it. But in the circumstances there was a strong incentive to export certain

products containing sugar and for this reason an export licensing system had been introduced.

Finland notified the Joint Council, at its first meeting in 1975, that from the beginning of the year it had begun to base its compensation measures on the EEC frontier prices and the EEC threshold prices as alternative external reference prices. This was an emergency measure taken in order to safeguard, vis-à-vis competitors in EFTA and in the EEC, the position of Finnish producers of products containing sugar.

Sweden notified the Councils in June 1975 that it had introduced from the beginning of that month an alternative basis for the calculation of the compensatory amount for sugar, to be applied as long as the world market price is higher than the domestic price. Until further notice the amount would be equal to a levy that, according to the Swedish sugar regulation, is imposed on all sugar offered for sale. The levy is charged when the world market price is higher than the domestic price excluding the levy.

Norway notified the Councils in June 1975 that it had introduced a permanent price compensation system covering agricultural raw materials with effect from 1st May 1975. While the system was being drawn up quantitative restrictions on the import of roasted starches for the food processing industry and for household use were in force in Norway. The restrictions were imposed 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 restrictions were abolished from 1st July 1975.

The notifications mentioned above were considered by the competent bodies in the Association. The consideration had not been completed in all respects at the end of the year under review.

At the end of June 1975 the Councils were still discussing what action should be taken on the guidelines recommended by the Committee of Trade Experts for the application of price compensation measures for agricultural raw materials as foreseen in paragraph 1 (c) of Article 21 of the Convention. In this context they were also considering what proposals could be made for common guidelines for the application of such measures in EFTA in extraordinary price situations where the above-mentioned provisions of the Convention would raise particular difficulties.

In July 1974 the Councils had before them a report from the Committee of Trade Experts concerning the classification and tariff treatment of fruit and vegetable juices with a higher water content than natural juices, or aerated with carbon dioxide. The matter had been referred to the Committee because these products were treated in Switzerland from the beginning of the application of the Convention as outside the scope of EFTA's free trade but in the other EFTA countries as subject to EFTA's free trade provisions. In reporting to the Council the Committee set out the different views but made no recommendation. It was subsequently proposed that there should be bilateral discussions between Switzerland and Austria, the two countries mainly concerned, on the trade interest involved. The Councils agreed to revert to the subject when the discussions had been completed.

Escape clauses, consultations and complaints

The general consultation and complaints procedure

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

Finland : temporary import restrictions on consumer durables

The Joint Council continued to keep under review the licensing arrangements applied by Finland to the import of certain consumer durables. A system of licences for these imports had been introduced in August 1973, as a temporary measure to protect the Finnish balance of payments, and had been notified in advance to the Joint Council. The Joint Council had subsequently agreed that the matter should be dealt with under the provisions of Article 19 of the Convention which permits the use of quantitative import restrictions to safeguard the balance of payments and lays down the procedure to be followed in such cases. The licensing system was changed in May 1974 when new arrangements—still in force at the end of June 1975—for the automatic granting of licences were put into effect. The Finnish measures were examined by the Economic Committee both before and after the change, and kept under review throughout by the Joint Council.

Portugal : emergency trade control measures

Emergency measures, which included the possibility of a prohibition on the import and export of certain goods, were taken by Portugal and notified to the Councils in May 1974. The matter was examined by both the Economic Committee and the Committee of Trade Experts the following month. Their reports were still before the Councils when, in July 1974, the Portuguese measures were substantially modified. Informing the Councils of the change, the Portuguese Delegation stated that the authority given to a special committee to impose the prohibition had lapsed, and that the role of the committee was henceforward limited to the surveillance of certain imports and exports, with the exclusive aim of detecting attempts to transfer capital abroad illegally by means of incorrect invoicing. The Councils noted the Portuguese statement on the understanding that they would be informed of the way in which the surveillance was conducted and of any changes made in the system.

Iceland : temporary import deposit scheme

The temporary import deposit scheme, introduced in Iceland from 17th May 1974, was abolished from 1st January 1975. The scheme

imposed the payment of cash deposits, initially at the rate of 25 per cent, against some 60 per cent of commodity imports, and the deposits were to be refunded with interest after three months. It had been brought in as part of a programme to restrain the domestic wage-price spiral and to limit the worsening of the balance of payments of Iceland. This matter also was examined by the Economic Committee in June 1974 and the Committee's report was noted by the Councils. Designed originally to be in force only until 30th September 1974, the scheme was maintained, but with falling rates for the deposit, until the end of that year.

Finland : balance of payments measures

In March 1975 the Finnish Delegation informed the Joint Council that the Finnish Government had adopted an economic policy programme aimed at safeguarding the country's external payments position and improving the conditions for a balanced economic development. The programme included the immediate imposition of a 15 per cent levy on all imports, to be replaced by an import deposit scheme which came into effect, after approval by the Finnish Parliament, on 24th March.

The Import Deposit Act authorised the Government to introduce, for a period of a maximum of twelve months, an import deposit of up to 30 per cent of the import price of imported goods. The Joint Council was later informed that the rates for the deposits, to be lodged for six months without interest with the Bank of Finland, had been fixed at between 5 and 30 per cent, varying according to the product. Some 50 per cent of all imports were affected by the deposits. Goods considered to be the most essential, such as raw materials, were either exempt from the scheme or subject to the lowest deposit rates.

The Joint Council decided to examine the measures and their effect, in the light of the relevant provisions of the Convention, and to keep the evolution of the situation under continuous review. On the basis of information provided by the Finnish authorities, studies were made on the balance of payments situation of Finland and of the steps taken to deal with it, as well as of the trade policy aspects of the import deposit scheme and the other balance of payments measures.

When the Councils met at Ministerial level in May 1975 the Finnish Minister presented a report on the Finnish measures. Other Ministers, while expressing their understanding for the difficult economic problems facing Finland, stressed that measures directly affecting trade were not appropriate in the present world economic situation and created problems for other countries, with a danger of an escalation of protective measures. Ministers also discussed the possibility of removing the import deposit scheme as soon as possible and were in agreement that a timetable to that end would be useful. In June the Finnish Delegation informed the Joint Council of the firm determination of its Government to terminate the import deposit scheme as soon as possible and not later than 24th March 1976. It also intended to begin to relax the scheme as soon as possible.

Portugal : import surcharge

At the meeting of the Councils at Ministerial level in May 1975 the Portuguese Delegate drew attention to the deterioration in the Portuguese balance of payments and to the extremely rapid decline in his country's gold and currency reserves, and stated that the introduction of specific trade measures relating to imports was needed to make a valuable contribution towards alleviating the serious problems facing the Portuguese economy. At the beginning of the following month the Portuguese Delegation notified the Councils that the Portuguese Government had introduced a surcharge on the import of a wide range of goods from 31st May on a non-discriminatory and temporary basis. The rate of surcharge was 20 per cent on some goods and 30 per cent on others. The Councils decided to examine, in the light of the relevant provisions of the Convention, the Portuguese measures and their effects and to keep the evolution of the situation under continuous review. To that end they set up an ad hoc group to examine the Portuguese balance of payments situation and the restrictive measures introduced in Portugal as well as their effects, and to present a report to the Council on their findings.

Technical barriers to trade

With the aim of removing certain non-tariff obstacles to trade EFTA has concentrated its efforts in recent years on ways of eliminating those barriers that arise from national differences in the technical regulations which many products have to fulfil when marketed in any one country. In the past year progress was made on three methods of coping with this problem which, following instructions from the Ministerial Councils at their meeting in May 1973, were to be the subject of thorough examination.

The "INST" procedure

One task was to consider ways of improving the procedure, used in EFTA since 1964, by which EFTA countries notify each other in advance of any new or amended technical regulations they plan to introduce. The purpose of this arrangement is two-fold, firstly, to provide information on new technical regulations in EFTA countries and, secondly, to give an opportunity to EFTA countries to put forward their views on such regulations and on the trade aspects of them. The use made of the procedure (the "INST" procedure) was studied by the Committee of Trade Experts, which found several shortcomings in the system and put forward to the Councils some suggestions for improvement. In January 1975 the Councils recommended to the EFTA Governments a revised procedure on the basis of the Committee's conclusions. The main purpose of the revision was

to make advance notification easier by not requiring, as in the past, a translation of the complete text of the proposed regulation. The revised procedure calls instead for a description or summary of the contents of the new regulation which will suffice for the other governments to determine if further details of the regulation are required for regulatory bodies or traders.

Proposals for new reciprocal recognition schemes

The Committee of Trade Experts had also been asked to propose new fields in which it would be useful to apply the principle of the reciprocal recognition of tests and inspections as a method of overcoming technical barriers to trade. The principle had already been applied in the schemes and conventions referred to on pages 29 to 31. After ascertaining the views of authorities, manufacturers and traders and considering a number of possibilities at several meetings the Committee proposed to the Councils that two expert groups should be set up, one on lifting appliances (such as passenger and goods lifts, building hoists and cranes) and one on heating equipment for liquid fuels (such as oil burners, hot air furnaces, builders' drying stoves and kerosene heating elements). In January 1975 the Councils established the two groups, with the task of studying the national provisions for the approval of these products in EFTA countries and in other countries of interest, and of considering what might be the main content of international arrangements for the reciprocal recognition of tests and inspections for these products. Each group was to pay attention to the possibility that the implementation of such arrangements would not have to be limited to EFTA alone. Both of the groups met for the first time in May 1975. Each agreed tentatively on the range of products that might be covered and had a first discussion on the possible provisions of a reciprocal recognition scheme for such products.

Registration of pharmaceutical products

At the meeting of the Ministerial Councils in Helsinki it was proposed that EFTA should examine what possibilities there were of making progress towards the removal of the technical barrier to trade constituted by differences in national legislation on the registration of pharmaceutical products. The Councils later decided to set up an ad hoc group of experts to outline the difficulties caused for trade in these products by differences in the procedures for registration and to review the relevant work done in other international bodies, in particular in the EEC. The experts were also asked to work out proposals for the elimination of such difficulties, bearing in mind genuine public health aspects and the desirability of facilitating international cooperation, in this field. The ad hoc group met for the first time on 5th and 6th May and had preliminary discussions on the organisation and content of their future work.

International cooperation in the elimination of technical barriers to trade

In October 1974 the Councils decided to convene a special meeting of the Committee of Trade Experts which would also be attended by other representatives from EFTA countries who dealt with the coordination in their own countries of work on technical regulations, standardisation and the elimination of technical barriers to trade. The decision followed a further review of the work being done in other international organisations which was undertaken with the aim of determining in which sectors, and by which methods, the removal of such barriers could be facilitated through wider international cooperation.

At the special meeting, which was held in April 1975, the Committee exchanged information on the work in this field being done in the individual EFTA countries, in EFTA and in other international organisations. The national delegations included officials who were engaged in the work of the two European standards organisations, the European Committee for Standardisation (CEN) and the European Committee for Electrotechnical Standardisation (CENELEC) and information was given on the work of these two bodies. The Committee then discussed ways of improving the cooperation and coordination of activities in EFTA and in the other international organisations in this field. The Committee stressed in particular the importance for the EFTA countries of taking an active part in the work of CEN and CENELEC.

After discussing the Committee's report the Councils agreed to make several recommendations to the EFTA Governments, particularly in relation to the work of CEN and CENELEC. These included the recommendation that the governments should take advantage as far as possible of the existing arrangements for liaison between EFTA, CEN and the Commission of the EC and of the arrangements envisaged for liaison between EFTA and CENELEC. Other recommendations were that the governments should contribute to the work of these two European standardisation committees, and that government services should be encouraged to take part in work on matters relating to these and other international standards organisations in order to make wide use of their work and to ensure that due regard is paid to the views of governments on such matters as security and consumer and environmental matters.

Coordination on the dates of implementation of new or amended technical regulations

A proposal made earlier by the Consultative Committee that the EFTA countries should coordinate the dates on which new or amended technical regulations come into effect was considered by the Councils on the basis of a report from the Committee of Trade Experts. The Consultative Committee had drawn attention in particular to the problems that arise from the absence of coordinated timetables in the prepacked food sector. The Councils therefore invited the EFTA Governments to notify the content of

new or amended technical regulations on the labelling and packaging of prepacked food and to indicate the dates on which they would be put into force, in order to enable interested governments to consult on the dates.

Assistance to Portugal

When the Ministerial Councils met in Helsinki at the end of October 1974 they were informed of the economic situation prevailing in Portugal after April 1974. Two EFTA countries were already engaged in bilateral talks with the Portuguese Government on certain Portuguese suggestions for assistance and cooperation, and it was agreed by Ministers that, in addition, an examination should be undertaken of what action might be taken within the EFTA framework to support Portugal in its attempts to improve the economic situation of the country and to consolidate its new institutions. Accordingly the Secretary-General of EFTA visited Lisbon in May 1975 and was informed by the Portuguese Government of the fields in which support might be provided within the EFTA framework. These included an extension of the timetable for Portuguese tariff reductions on Annex G products and tariff concessions for infant industries ; concessions on imports into EFTA of some Portuguese agricultural products ; technical assistance ; and the establishment of an industrial development fund. Meeting again later in the same month, the Ministerial Councils agreed that the possibilities of implementing the Portuguese proposals would have to be considered in detail as a matter of urgency. The Councils also agreed to convene the Economic Development Committee to advise them on the possibilities of providing assistance, on how the assistance could be implemented, bilaterally and/or multilaterally, and how such activities could be coordinated within EFTA.

The Association with Finland

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

The Economic Committee

The Economic Committee, which 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 November 1974, the Committee reviewed international economic and payments developments. It expressed concern about the danger of a serious world-wide recession, unless the larger countries adopted more expansionary economic policies. It was recognised that a special effort needed to be made to help the non-oil-producing developing countries to overcome their current difficulties. The Committee also discussed the inflationary situation and balance of payments developments in all EFTA countries.

Meeting again in mid-April the Committee discussed recent economic developments and economic policies in each EFTA country as well as the evolution of world trade and finance. As instructed by the Joint Council it also examined the balance of payments situation in Finland and the measures (including the import deposit scheme) introduced by the Finnish Government.

Committee of Trade Experts

The Committee of Trade Experts, which consists of officials from the EFTA countries, met six times during the year under review. Two of the meetings were specially convened. At one of these, in February 1975, the discussions concerned aspects of price compensation schemes under Article 21 of the Convention in connection with extraordinary situations in the markets for some agricultural raw materials. At the second, in April 1975, the Committee considered aspects of the work of international organisations on the elimination of technical barriers to trade and methods of coordinating this work. At the other four meetings the trade aspects of a variety of questions under discussion during the year were on the agenda. Details of the work of the Committee are given under the appropriate subject headings in this report.

Committee of Origin and Customs Experts

The Committee of Origin and Customs Experts, which consists of officials from the EFTA countries, met nine times in the course of the year. Its main task is to advise the EFTA Councils on matters relating to the rules of origin in force within EFTA and under the FTAs between each of the EFTA countries and the European Communities. Details of its work are given in the section on origin rules in this report.

The Consultative Committee

The Consultative Committee, which brings together representatives of industry, commerce, agriculture 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 the report. As usual, these meetings were held shortly before meetings of the Ministerial Councils, and reports on them figured as separate items on the Ministers' agendas. At the meeting in Helsinki in October 1974 the international economic situation and current EFTA activities were discussed and the Secretariat was requested to undertake a study on the special problems of inflation in small countries; at the meeting in Geneva in April 1975 the discussion centred on the situation of the EFTA countries in the European and international economic setting.

The Consultative Committee continued to pay special attention to the development of closer economic and commercial cooperation in Europe, and in particular to the rules of origin of the Free Trade Agreements of the EFTA countries with the EC and of the Stockholm Convention. To discuss matters of common interest in this field, the Committee again met informally with former members from Denmark and the United Kingdom in connection with both of its meetings.

The Committee also considered some proposals submitted to EFTA in April 1975 by the European Trade Union Confederation (ETUC) which made specific suggestions for action within EFTA on four subjects: the problems of inflation and unemployment; worker participation in multinational companies; matters concerning the working environment; and the need for a complete declaration, in the language of the importing country, of the contents of consumer products. The suggestions were also considered by the Councils at Ministerial level in May. It was agreed then that the Councils at official level should deal with two of the proposals, namely those relating to inflation and unemployment and to the declaration of the contents of consumer products. The proposal concerning the working environment was considered to be a very technical one and Ministers agreed that the Councils should revert to it after governments had studied it further.

Other standing committees

Of the other standing committees, the Economic Development Committee, which has the task of examining any questions related to economic development which the Councils may refer to it, did not meet during the year under review. A meeting was however convened for July to examine the Portuguese requests for assistance mentioned on page 23. The Budget

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

EFTA Parliamentarians

In September 1974 Parliamentarians from the EFTA countries met for the first time in Geneva, departing from their earlier custom of meeting in Strasbourg in connection with meetings of the Consultative Assembly of the Council of Europe. On this occasion they agreed that as a rule future meetings should also be held in Geneva. The main items they discussed were the role and activities of EFTA in the light of recent economic developments and the elimination of technical barriers to trade in EFTA.

A delegation from Portugal, representing the political parties included in the provisional coalition government, attended the meeting as observers. Parliamentarians appealed to the governments of the EFTA countries to give all support to Portugal within the framework of the Association and other international organisations, as well as in bilateral relations.

Information activities

The EFTA Bulletin remained the principal channel for information about EFTA during the year. It continued to carry reports on decisions taken by the EFTA Councils and about the work of EFTA Committees and other bodies, as well as articles describing in fuller detail various aspects of EFTA's activities. In addition it contained information on developments in connection with the Free Trade Agreements and news of other aspects of integration in Europe. It also carried articles on other economic matters of interest in the EFTA countries. A special issue was published in May 1975 to mark the fifteenth anniversary of the founding of EFTA.

Other publications issued during the year included the Fourteenth Annual Report of the Association and "EFTA trade in 1973", the latest in the annual series of studies of the trade of the EFTA countries. On behalf of the Pharmaceutical Convention it also published "Manufacturing and Quality Control under Contract", the text of the papers presented at a seminar in Berne in July 1974.

There was a clear interest shown by the news media in the activities of EFTA. In addition, the holding of the meetings of the Consultative Committee and the Ministerial Councils in Helsinki at the end of October 1974 aroused a considerable interest in the Finnish news media which carried extensive reports and comments on the meetings and on the activities of the Association.

A group of twenty Latin American officials visited the Secretariat in November under the auspices of the Organisation of American States, and the following month ten high officials from the Member countries of the Association of South East Asian Nations made a similar visit. Shorter briefings were given to a number of other groups, both from EFTA countries and elsewhere.

The EFTA Council and the Finland-EFTA Joint Council

During the twelve months covered by this report the EFTA Council and the Finland-EFTA Joint Council held 30 meetings, all of them simultaneous, including two at Ministerial level.

From 1st July to 31st December 1974 the chairmanship of the Council was held by Austria and that of the Joint Council by Finland. Iceland held the vice-chairmanship of the Council and Austria that of the Joint Council. As is customary when the chairmanship of the Joint Council is held by Finland, Finland presided at all meetings of the two Councils since all were held simultaneously. From 1st January to 31st July 1975 Austria held the chairmanship of both Councils and Iceland the vice-chairmanship.

All meetings were held in Geneva with the exception of the meeting of the Ministerial Councils on 30th October and 1st November 1974 which took place in Helsinki.

Administration and Finance

The Secretariat

At the end of June 1975 there were 29 officials in the Professional category and above on the staff of the Secretariat and 39 General Service staff members, of whom four were employed on a half-time basis.

The new regulations for the Secretariat staff, approved by the Councils in the previous year, included a recognition of the competence of the Administrative Tribunal of the International Labour Organisation as the final authority in the case of any dispute on staff matters. This recognition was officially accepted by the Governing Body of the ILO during the year. Thus the possibility for an official to submit an appeal to the ILO Administrative Tribunal was put into effect.

Finance

The net budget for the financial year 1974-1975 was 6,987,616 Swiss francs. The budget for the financial year 1975-1976 beginning 1st July 1975

has been established at S.Frs. 8,003,610 gross, which, after deduction of estimated income of S.Frs. 377,900, leaves a net sum of S.Frs. 7,625,710 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 contributions from Member States for 1974-1975 were on the following basis (the figures assessed for 1975-1976 are shown in brackets): Sweden 30 per cent (30 per cent), Switzerland 25.169 per cent (25.509 per cent), Austria 15.101 per cent (15.128 per cent), Norway 11.640 per cent (11.310 per cent), Portugal 5.820 per cent (6.119 per cent), Iceland 1.573 per cent (1.693 per cent). The contribution of Finland, which is an Associate Member, was 10.697 per cent (10.241 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 but not limited to the EFTA countries, for the reciprocal recognition of tests and inspections carried out on certain types of products. The purpose of the schemes is to overcome the barrier to trade that otherwise arises when products that are subject to varying national requirements have to be separately tested in each country before they can be put on the market. The schemes relate to pressure vessels, ships' equipment, agricultural machines and tractors, and gas appliances. The possibility of extending the geographical scope of each of the schemes by inviting institutions in other countries to take part in them has been under consideration by the participating authorities in each of the schemes.

The scheme on *pressure vessels*, which covers products ranging from aerosol cans and gas bottles to petrochemical equipment and electricity generating boilers, has been in force since 1st January 1971. The parties to the scheme are the authorities responsible for approving such vessels in Austria, Denmark, Finland, Iceland, Norway, Portugal, Sweden, Switzerland and the United Kingdom. These authorities agreed at a meeting in May 1975 to invite the corresponding authorities in the six original EEC countries and Ireland to join the scheme.

The scheme on *ships' equipment*, which also came into force on 1st January 1971, covers all kinds of ships' equipment which are subject to the requirements and approval of a national authority. The participants are the maritime administrations in Denmark, Finland, Iceland, Norway, Portugal, Sweden, the United Kingdom and Yugoslavia. These bodies also agreed at a meeting in April 1975 to invite the corresponding authorities in the six original EEC countries and Ireland to join the scheme.

The scheme on *agricultural machines and tractors* covers tests carried out for operational safety and ergonomics and for road traffic safety on machines and tractors for use in agriculture, horticulture and forestry which are subject to the approval of a national authority. The participants in the scheme, which came into force on 1st September 1972, are the approval bodies in Austria, Denmark, Finland, Norway, Portugal, Sweden, Switzerland and the United Kingdom. These bodies also agreed, at a meeting in December 1974, to invite their counterparts in the original EEC countries and in Ireland to join the scheme.

The scheme on *gas appliances*, which covers any appliance using town gas, natural gas and liquefied petroleum gas which is subject to approval by a national authority, came into force on 1st August 1972. The participants are the responsible authorities in Austria, Denmark, Finland, Iceland, Norway, Portugal, Sweden, Switzerland and the United Kingdom. The approval bodies from these countries have twice held informal meetings with their counterparts from several EEC countries.

Pharmaceutical Inspection Convention

The Convention for the Mutual Recognition of Inspections in respect of the Manufacture of Pharmaceutical Products, which entered into force in 1971, is now in operation in Austria, Denmark, Finland, Iceland, Liechtenstein, Norway, Portugal, Sweden, Switzerland and the United Kingdom. It is open to other States which apply a system of inspection control to ensure that pharmaceutical products manufactured within their territories are produced to appropriate standards.

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

On 5th July 1974 the Hungarian Government informed the Swedish Government, as the depositary of the Convention, of its wish to accede to the Convention. At the request of the Hungarian authorities members of the Committee of Officials visited Budapest in October 1974 in order to familiarise themselves with the inspection system applied in Hungary. At a meeting of the Committee in February 1975 the Officials agreed to recommend to their governments that the necessary steps be taken to enable the depositary government to extend an invitation to Hungary to accede to the Convention. It was also suggested that the Convention could enter into force in relation to Hungary ninety days after the deposit of the Hungarian instrument of ratification as proposed by the Hungarian Government.

At its other three meetings during the year the Committee discussed a number of technical matters connected with the Convention. It began to draw up guidelines for the quality control of the manufacture of pharmaceuticals when the manufacturing process or part of it is done under contract. The problems of quality control under such circumstances had been discussed at a seminar held in Berne in July 1974 under the auspices of the Convention and attended by pharmaceutical inspectors and other health officials, as well as by representatives of the manufacturing industry, from all the countries participating in the Convention as well as from Belgium, Canada, France, the Federal Republic of Germany, Hungary, Ireland and Italy. The Committee also brought up to date a factual

survey of the national pharmaceutical inspection systems used within the Convention countries. They also began a discussion on the methods of training inspectors.

In June 1975 a seminar on "The manufacturer's quality control department - structural and functional aspects" was held in Copenhagen. It was organised by the Danish National Health Service on behalf of the Committee of Officials and attended by officials from all the countries taking part in the Convention and from the Federal Republic of Germany and Hungary. The discussion covered the critical points in the structure and organisation of a quality control department, and its relationship to and cooperation with other departments in a pharmaceutical company.

Hallmarking Convention

The Convention on the Control and Marking of Articles of Precious Metals, which was signed in 1972 by representatives of seven countries, has now been ratified by four countries and came into force for these countries—Austria, Finland, Sweden and Switzerland—on 27th June 1975, four months after the fourth ratification. The other signatory States are Norway, Portugal and the United Kingdom.

The Convention introduces a Common Control Mark as a means of removing a non-tariff barrier to trade between the Contracting States in articles of gold, silver and platinum. Each country taking part designates one or more of its assay offices to apply the marks described in the Convention, including the Common Control Mark, when satisfied that the requirements of the Convention have been met. When that mark has been applied the Contracting States will admit the articles without requiring further assay or marking on its own territory. Accession to the Convention is open to other countries with suitable assay offices of such technical competence and reliability as to be able to comply with the requirements of the Convention.

Two meetings were held during the year of the group of experts whose task was to deal with certain practical questions before the coming into force of the Convention. These include the formulation of guidelines for the methods of assay and sampling to be used, with the aim of coordinating the practices of the countries taking part.

IV. External relations

OECD

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

GATT

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

UNCTAD

Members of the Secretariat have participated as observers in meetings of UNCTAD in Geneva which were of special interest to EFTA, and in particular those dealing with the origin rules under the Generalised System of Preferences.

UN Economic Commission for Europe

The Secretariat continued to maintain regular contacts with the Secretariat of the Economic Commission for Europe and attended meetings of interest to EFTA, and in particular those dealing with standardisation policies. The definitions agreed upon by the Third ECE Meeting of Government Officials responsible for Standardisation Policies have been taken into account in the recommendation by the Councils concerning the EFTA procedure for the notification of new or amended technical regulations.

Council of Europe

The Austrian Minister for Foreign Affairs, representing the country which held the chairmanship of the EFTA Council throughout the year under review, presented reports on the activities of EFTA at the meetings of the Committee of Ministers of the Council of Europe which were held in Paris in November 1974 and in Strasbourg in April 1975. The Fourteenth Annual Report of the Association was thoroughly discussed at the

September meeting of the Committee of Economic Affairs and Development of the Parliamentary Assembly of the Council of Europe. An interim report on EFTA activities was also presented at a meeting of the same Committee in Geneva in March 1975 in preparation for a discussion on the 14th and 15th Annual Reports of EFTA which is to be held in the Parliamentary Assembly of the Council of Europe in September 1975. The EFTA Secretariat continued to follow the activities of the Parliamentary Assembly and of special bodies of the Council of Europe on matters of interest to EFTA, and an inter-Secretariat meeting between the two organisations was held in June 1975.

Nordic Council

The Secretariat was represented at the 23rd Session of the Nordic Council in Reykjavik in February 1975, at which questions related to Nordic cooperation in the field of energy, the setting up of a Nordic Investment Bank and cooperation in other economic fields were discussed.

Other governmental organisations

The preparatory work for the coming into force of the European Patent Convention was pursued during the period under review by the Interim Committee of the European Patent Organisation, which held its second meeting in January 1975, and by the seven working parties set up by the Interim Committee. The Convention is scheduled to come into force by the end of 1976, together with another Convention which will establish a unitary patent for the EC countries. A Diplomatic Conference for this second Convention is to be held in Luxembourg from 17th November to 15th December 1975. The Secretariat continued to participate in the interim Committee of the European Patent Organisation and its subsidiary organs.

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

The Secretariat has been kept informed of the work done in the various bodies in the Customs Cooperation Council on the harmonisation of the system for the description and coding of commodities.

Non-governmental organisations

The EFTA Secretariat continued to maintain close contacts with a number of non-governmental organisations engaged in work of interest to the Association as, for example, the standards-writing organisations, and attended relevant meetings. The Secretariat maintained contacts with the European Trade Union Confederation (ETUC). Some proposals made by ETUC are discussed in the section on the Consultative Committee in this report.

V. EFTA trade in 1974

Trade balances

The trade balances* of all EFTA countries except Austria show a marked deterioration from 1973 to 1974, as indeed was the case for most OECD countries. This was due mainly to the rising import prices for oil and basic commodities. However, the economic recession in several of the larger industrial countries which are important export markets for the EFTA countries has also to some extent influenced the result. The trade deficit in 1974 of the EFTA countries combined was 10,145 million dollars, compared with deficits of 5,540 and 4,544 million dollars in 1973 and 1972 respectively. Only in Austria was the deficit almost unchanged from 1973 to 1974.

The higher prices of oil and basic commodities are also reflected in the development of EFTA trade with the different areas. The value of imports from "the rest of the world", which includes the principal exporters of oil and of other important commodities, and from Eastern Europe, which is also a source of imported oil, increased relatively more than imports from other areas. The exports to these areas also rose faster than EFTA exports to other areas.

Another point to be made is that the large increases in the value of exports and imports mainly reflect rising prices and consequently overstate the real growth in trade. The volume of trade increased relatively little in 1974.

* The dollar values for trade in 1974 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		19.55	Portugal		25.50
Finland		3.77	Sweden		4.45
Iceland	100.24	99.84	Switzerland		2.98
Norway		5.54			

Since all calculations of trade values are made in terms of US dollars, the fluctuations in exchange rates reduce the meaning of a comparison between 1973 and 1974. Rates of growth of exports and imports will of course also differ from those calculated on the basis of national currency data.

Total trade

In 1974 the value of total EFTA exports increased somewhat less than in 1973, while the value of imports into EFTA countries increased slightly more than in the previous year. The value of total exports (f.o.b.) rose in 1974 by 32.4 per cent (in 1973 by 37.5 per cent) to 49,291 million dollars, and the value of total imports (c.i.f.) by 39.0 per cent (in 1973 by 35.5 per cent) to 59,436 million dollars. The combined trade deficit of the seven EFTA countries was thus 10,145 million dollars.

The largest percentage increase in exports, 43.2 per cent, was recorded by Finland. Austria, Norway and Sweden registered increases of over 30 per cent, while the increase in Iceland's exports was only 14.8 per cent. For each EFTA country, except Austria and Finland, the growth of exports was lower in 1974 than in 1973.

All EFTA countries recorded considerable increases in total imports in 1974, but only in Finland, Portugal and Sweden were the percentage rises larger than in 1973. In these three countries the growth of imports was 57.3 per cent, 55.1 per cent and 48.8 per cent respectively. Imports into Iceland increased by 45.7 per cent and Norwegian imports by 35.7 per cent. In Austria imports rose by 33.3 per cent and in Switzerland by 24.3 per cent.

Seasonally adjusted three months' moving averages of exports and imports give a clearer picture of developments in trade over 1973 and 1974. The growth rate of total exports of the seven EFTA countries as a group stagnated between November 1973 and February 1974. In March, April and May it accelerated sharply but levelled off again in the three months to follow. Towards the end of the year the growth rate of EFTA exports appeared to have stabilised at a more moderate level. The rate of growth of imports paralleled that of exports up to the last quarter of 1974. From then on total imports (seasonally adjusted) to EFTA countries have been falling.

Intra-EFTA trade

The value of intra-EFTA trade (measured by exports f.o.b.), representing 19.3 per cent of total EFTA exports, rose in 1974 by 38.3 per cent to 9,496 million dollars. This increase was larger than that of total EFTA exports and about the same as that of total EFTA imports. In 1973 the intra-Area trade of the seven EFTA countries had increased by 33.7 per cent. All EFTA countries recorded increases in intra-EFTA exports of more than 30 per cent. Iceland and Norway recorded increases as high as 68.3 per cent and 57.2 per cent.

The three months' moving averages of seasonally adjusted data show that, after stagnating from December 1973 to February 1974, the intra-Area trade of the EFTA countries accelerated sharply in the spring of 1974. This was followed by a fall in July and August and a moderate growth during the rest of 1974.

EFTA-EC trade

The exports to the EC of the seven EFTA countries—45.7 per cent of their total exports—rose in 1974 by 26.0 per cent to 22,509 million dollars. The imports from the EC—53.6 per cent of total imports—increased by 31.2 per cent to 31,797 million dollars. Thus the growth rate of trade with the EC was lower than the growth rate of the total trade of the EFTA countries.

On the basis of three months' moving averages of seasonally adjusted figures both exports to and imports from the EC increased rapidly from March to June 1974. This was followed by a period of stagnation in exports up to August, some growth in September and October and levelling off again in the two last months of 1974. Imports from the EC continued to rise until September but then fell during the remainder of the year.

EFTA trade with the United States

Exports from the EFTA countries to the USA—5.7 per cent of their total exports—increased in 1974 by 16.2 per cent and imports from the USA—6.2 per cent of total imports—grew by 48.7 per cent, reaching 2,793 and 3,711 million dollars respectively. According to the seasonally adjusted figures, exports fell in the first three months of 1974 followed by a period of moderate growth during spring and summer. In the remainder of the year, the growth rate of exports showed large fluctuations. Imports showed a pattern of more stable growth over the year.

EFTA trade with Eastern Europe

In 1974 exports to Eastern Europe—7.4 per cent of total exports—rose by 56.7 per cent to 3,625 million dollars, with Austria, Iceland and Portugal recording increases of more than 70 per cent. EFTA imports from Eastern Europe—6.6 per cent of total imports—increased by 74.4 per cent to 3,914 million dollars. The imports to Finland rose by as much as 120.9 per cent and those to Iceland by 120.3 per cent.

EFTA trade with the rest of the world

In 1974 EFTA trade with "the rest of the world" increased very strongly. EFTA countries' exports to the countries grouped under this heading, representing 21.9 per cent of their total exports, increased by 39.1 per cent to 10,868 million dollars and imports from them—18.0 per cent of total imports—rose by 55.4 per cent to 10,718 million dollars.

TRADE BALANCES OF THE EFTA COUNTRIES

Table I

(in million US dollars)

	1972			1973			1974		
	Jan. - June	July - Dec.	Year	Jan. - June	July - Dec.	Year	Jan. - June	July - Dec.	Year
Austria	— 653	— 665	— 1,321	— 897	— 848	— 1,749	— 988	— 874	— 1,862
Finland	— 119	— 136	— 251	— 310	— 189	— 504	— 515	— 810	— 1,325
Iceland	— 19	— 23	— 42	— 13	— 54	— 67	— 80	— 106	— 186
Norway	— 578	— 516	— 1,091	— 617	— 927	— 1,539	— 1,133	— 1,013	— 2,146
Portugal	— 465	— 431	— 899	— 261	— 863	— 1,114	— 656	— 1,534	— 2,190
Sweden	+ 213	+ 474	+ 678	+ 957	+ 568	+ 1,529	+ 398*	— 323*	+ 75*
Switzerland . .	— 859	— 754	— 1,618	— 1,013	— 1,077	— 2,096	— 1,403	— 1,108	— 2,511
Total EFTA . .	— 2,480	— 2,051	— 4,544	— 2,154	— 3,390	— 5,540	— 4,377	— 5,768	— 10,145

* A new Customs procedure, introduced in Sweden from 1st January 1974, caused delays in the registration of imports, so that the import statistics for the beginning of 1974 were underestimated. The import figures in Tables II, III and IV have not been adjusted to allow for the underestimation, nor have the balance of trade figures in the Table above. Corrected figures are available for the monthly import totals, but not broken down by country of origin. The provisional recalculated values for 1974, in million dollars, are:

	Jan. - June	July - Dec.	Year
Imports	—	—	16,370
Balance of trade	+ 30	— 580	— 550

EFTA TRADE IN 1974

Table II

(in million US dollars, with the percentage rise or fall (—) from 1973)

	EFTA		EC		USA		Eastern Europe		Rest of world		World	
	\$ mill.	%	\$ mill.	%	\$ mill.	%	\$ mill.	%	\$ mill.	%	\$ mill.	%
<i>Imports (c.i.f.)</i>												
Austria	982.7	20.8	5,547.2	27.0	258.8	24.8	875.9	54.1	1,359.9	67.4	9,024.5	33.3
Finland	1,589.5	42.5	2,494.9	40.8	345.1	68.6	1,507.2	120.9	881.6	55.7	6,818.3	57.1
Iceland	105.4	28.4	231.4	45.5	42.1	59.5	69.6	120.3	69.9	23.5	518.4	45.7
Norway	2,063.5	38.9	3,531.2	25.7	687.4	78.8	226.4	26.1	1,929.1	41.9	8,437.6	35.7
Portugal	447.8	34.1	1,936.6	49.5	395.5	68.8	33.4	24.2	1,630.3	67.5	4,443.6	55.1
Sweden	2,747.3	42.5	8,440.6	44.2	1,036.1	47.6	836.2	64.5	2,688.2	68.7	15,748.4*	48.8
Switzerland	1,359.6	21.6	9,614.8	20.4	946.4	28.4	365.2	47.4	2,159.6	40.8	14,445.1	24.3
Total EFTA . . .	9,295.8	35.2	31,796.7	31.2	3,711.4	48.7	3,913.9	74.4	10,718.1	55.4	59,435.9	39.0
<i>Exports (f.o.b.)</i>												
Austria	1,246.8	36.7	3,168.5	28.5	250.0	19.6	1,083.7	81.3	1,413.9	69.1	7,162.9	42.7
Finland	1,212.2	38.5	2,375.8	33.7	208.9	23.0	897.1	64.1	799.1	70.8	5,493.1	43.2
Iceland	77.6	68.3	96.6	— 15.0	73.1	— 6.0	41.1	72.0	43.5	55.9	331.9	14.8
Norway	1,512.0	57.2	2,956.7	33.4	333.7	33.5	199.0	42.1	1,290.7	16.2	6,292.1	34.4
Portugal	327.2	34.2	1,086.3	27.8	225.0	30.8	19.4	88.3	595.7	25.8	2,253.6	28.8
Sweden	3,528.1	34.1	7,579.6	24.2	846.1	14.8	783.5	50.4	3,085.7	45.6	15,823.0	30.6
Switzerland	1,592.0	33.1	5,245.3	20.9	856.1	8.8	601.2	41.0	3,639.6	31.1	11,934.2	25.3
Total EFTA . . .	9,495.9	38.3	22,508.8	26.0	2,792.9	16.2	3,625.0	60.0	10,868.2	39.1	49,290.8	32.4

* See footnote to Table I.

PERCENTAGE SHARES OF EXPORTS AND IMPORTS IN 1974

Table III

	EFTA		EC		USA		Eastern Europe		Rest of world		World	
	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports
Austria	10.8	17.4	61.6	44.2	2.8	3.5	9.7	15.1	15.1	19.8	100.0	100.0
Finland	23.3	22.1	36.7	43.3	5.1	3.8	22.0	16.3	12.9	14.5	100.0	100.0
Iceland	20.3	23.4	44.7	29.1	8.2	22.0	13.4	12.4	13.4	13.1	100.0	100.0
Norway	24.5	24.0	41.9	47.0	8.1	5.3	2.7	3.2	22.8	20.5	100.0	100.0
Portugal	10.0	14.5	43.8	48.2	8.8	10.0	0.8	0.9	36.6	26.4	100.0	100.0
Sweden	17.4	22.3	53.6	47.9	6.6	5.3	5.3	5.0	17.1	19.5	100.0	100.0
Switzerland . .	9.4	13.3	66.6	44.0	6.6	7.2	2.5	5.0	14.9	30.5	100.0	100.0
Total EFTA . .	15.6	19.3	53.6	45.7	6.2	5.7	6.6	7.4	18.0	21.9	100.0	100.0

INTRA-EFTA TRADE IN 1974

Table IV

(Exports f.o.b., in million US dollars, with rise or fall (—) from 1973)

Importer Exporter	Austria	Finland	Iceland	Norway	Portugal	Sweden	Switzerland	EFTA
Austria \$m		96.0	2.4	85.4	66.4	281.9	714.7	1,246.8
Percentage change		40.6	41.2	42.6	47.9	49.8	30.1	36.7
Finland \$m	48.0		12.7	160.9	25.3	876.2	89.0	1,212.2
Percentage change	9.6		35.1	1.6	86.0	52.2	19.3	38.5
Iceland \$m	0.7	4.1		11.2	35.1	7.1	19.5	77.6
Percentage change	— 69.6	— 21.2		154.5	160.0	2.9	42.3	68.7
Norway \$m	45.6	188.9	43.9		63.1	1,102.7	67.8	1,512.0
Percentage change	39.0	61.2	22.3		212.4	56.4	33.5	57.2
Portugal \$m	34.0	45.7	1.7	41.9		140.2	63.7	327.2
Percentage change	17.6	39.8	54.5	38.3		41.0	23.4	34.1
Sweden \$m	219.4	1,121.0	35.5	1,644.2	151.2		356.8	3,528.1
Percentage change	6.3	39.4	41.4	43.5	14.9		11.9	34.1
Switzerland \$m	787.0	143.8	4.2	138.4	161.5	357.2		1,592.0
Percentage change	37.3	40.0	2.4	20.8	22.8	32.3		33.1
EFTA \$m	1,134.7	1,599.5	100.4	2,082.0	502.6	2,765.3	1,311.5	9,495.9
Percentage change	27.9	41.5	29.9	37.6	41.5	49.9	23.9	38.3

Appendix

Ministerial meetings of the EFTA Councils

Helsinki, 31st October and 1st November 1974

Communiqué

The EFTA Council and the Joint Council of EFTA and Finland met at Ministerial level in Helsinki on 31st October and 1st November 1974. Mr. J. Laine, Finnish Minister for Trade, who is Chairman of the Joint Council, was in the chair.

In discussing the situation within the Association, Ministers expressed their satisfaction with the development of trade between EFTA countries and with EFTA cooperation directed at the full application of the free trade provisions of the Stockholm Convention.

Ministers reviewed the work carried out in EFTA to improve trading conditions by the elimination of technical barriers to trade. They agreed that existing arrangements should be further strengthened. They also urged the importance of making more effective the various arrangements for the mutual recognition of tests and inspections by enlarging their membership to include an increasing number of trading partners of the EFTA countries.

Ministers were informed of the current economic situation in Portugal. They reaffirmed their sympathy for the efforts which were being made to improve the situation of the country and to consolidate its new institutions. In addition to bilateral discussions already in progress, Ministers decided to examine, as a matter of urgency, what action might be taken within the EFTA framework to support Portugal.

Ministers noted that the dismantling of barriers to trade provided for in the Free Trade Agreements between the EFTA countries and the European Communities was progressing according to the agreed timetable. Useful work

was being done in the Joint Committees set up to administer the Agreements and in their Customs Committees and further technical improvements were under consideration. Ministers noted with concern that in the case of Iceland the most important concessions by the EEC had not yet entered into force, since satisfactory agreement on fishing rights had not been reached with all Community Member States. Ministers also noted the statement of the Portuguese Minister stressing the importance of the developments to be expected from the forthcoming meeting of the Joint Committee of Portugal and the EEC.

Ministers discussed the present world economic, trade, monetary and energy situation. They reaffirmed their determination to strengthen cooperative action within EFTA and in all international fora dealing with the difficulties involved. While each country had its own problems and policies, Ministers were of the opinion that it was on the basis of comprehensive international cooperation that decisive progress could be made in dealing with these difficulties.

Ministers expressed their conviction that wider-ranging cooperative action was essential to improve the payments system and to preserve and reinforce the liberal trade system, both of which had done so much for world standards of living. Strengthened cooperative action was already producing useful results. The Declaration renouncing national restrictive trade measures, which had been unanimously accepted by all the OECD countries in May, had had positive effects for the maintenance of the liberal trade structure.

Ministers emphasised the continued importance of GATT for maintaining orderly conditions for world trade. In this connection they stated their conviction that the multilateral trade negotiations which had been launched more than a year earlier in Tokyo were even more relevant in present circumstances. They were essential not only for the further liberalisation of world trade, a matter of great importance for developed and developing countries alike, but also for the improvement of the international framework for the conduct of world trade. It was therefore urgent that all the partners to the new round should obtain the necessary negotiating authority so that the negotiations could proceed to the active stage.

Ministers expressed concern that the rise in prices had caused particular difficulties for many developing countries and emphasised the necessity of ensuring the flow of real resources to those countries at a high level.

On East-West economic relations, Ministers welcomed the various efforts being made on the bilateral as well as multilateral level to develop trade and broaden other economic cooperation, and reaffirmed the view that there was ample room for further development of these relations.

The next meeting of the Councils at Ministerial level will take place in Geneva on 22nd May 1975.

Geneva, 22nd May 1975

Communiqué

The EFTA Council and the Joint Council of EFTA and Finland met at Ministerial level in Geneva on 22nd May 1975. The meeting was chaired by Mr. Josef Staribacher, Austrian Minister for Trade, Commerce and Industry.

Ministers recalled that May 1975 marked the fifteenth anniversary of the creation of the European Free Trade Association and emphasised the importance they attached to the maintenance of free trade and to continued cooperation in EFTA. This was especially relevant in the present world economic situation, when inflationary pressures were still present, although prices were rising somewhat less, when the oil-consuming countries as a whole continued to register considerable current account balance of payments deficits and when there was a general slackening of economic activity and a reversal of the upward trend of the volume of exports. Ministers noted with concern that the balance of payments position of some EFTA countries had further deteriorated and that continued instability of exchange rates had created particular difficulties for some countries. Ministers agreed that it was of great importance for governments to apply economic measures aimed at improving economic activity and employment and to utilise economic policy measures which combatted inflation.

Ministers believed that there was a continuing need for countries in a favourable balance of payments position, especially the larger countries, to follow policies aimed at levelling out the existing inequalities in payments positions. Recent signs of an improvement in the medium-term economic outlook were welcomed by Ministers.

Ministers agreed on the necessity to participate fully in efforts for wider international cooperation. To this end they agreed to make further use of the opportunities afforded by the EFTA relationship for consultations on trade questions as well as on other economic issues related to the objectives of the Stockholm Convention.

In reviewing developments within EFTA, Ministers expressed their satisfaction with the improvements of existing arrangements and further moves by the Association for the elimination of technical barriers to trade, both within EFTA and with other countries. This activity would strengthen the participation of EFTA countries in the work to achieve greater international technical standardisation. Ministers noted that movements in world prices of raw materials, particularly sugar, had caused difficulties for EFTA countries regarding conditions of fair competition. When discussing the Chairman's report on the recent meeting of the Consultative Committee, Ministers welcomed the active contribution made to the work of EFTA by

the representatives of all sectors of economic life assembled in the Committee.

Ministers heard a statement by the Portuguese Minister of Trade describing the current economic difficulties of his country. A report was also given by the Secretary-General on his recent official visit to Lisbon, which had been arranged as a consequence of the decision taken by EFTA Ministers, at their meeting in Helsinki last November, to examine what action might be taken within the EFTA framework to assist Portugal. Ministers noted that the Portuguese Government proposed action by EFTA in four fields: tariff concessions for infant industries and a relaxation of the timetable for Portuguese tariff reductions on other products; concessions on imports into EFTA of some Portuguese agricultural products; technical assistance; and the establishment of an industrial development fund. Ministers agreed that their permanent representatives to EFTA should study positively and as a matter of urgency how these proposals could be implemented.

Ministers received a report from the Finnish Minister of Trade on recent measures taken by his Government to correct a serious balance of payments situation, including a temporary import deposit scheme. Other Ministers, while expressing their understanding for the difficult economic problems facing Finland, stressed that measures directly affecting trade were not appropriate in the present world economic situation and created problems for other countries, with a danger of an escalation of protective measures. Ministers had a discussion on the possibility to remove the import deposit scheme as soon as possible and they were in agreement that a timetable to that end would be useful.

Ministers noted that the tariff reductions provided for by the Free Trade Agreements of the EFTA countries with the European Communities were being made in accordance with the agreed timetable, which foresees the achievement of free trade in most industrial products in the large European market of sixteen countries by mid-1977. However, experience had shown that the origin rules of the Free Trade Agreements, which were identical with those used in intra-EFTA trade, could be further simplified and improved. Ministers believed that the adoption of the proposals recently put forward by all EFTA countries could make an important contribution to that end.

Ministers heard a statement from the Icelandic Minister of Commerce on the growing tendencies towards protectionism regarding fisheries products. Ministers regretted that no progress had been made as regards the implementation of the most important provisions of the Free Trade Agreement between Iceland and the EEC.

Ministers welcomed the beginning of the active phase of the multi-lateral trade negotiations in the framework of GATT, which should produce substantial improvements in the liberalisation and organisation of world trade. They emphasised the importance of these negotiations in the present economic circumstances and stressed that they should result in additional trade benefits for the developing countries. Ministers also stressed the importance of the renewal of the Declaration made in the OECD in May

1974, according to which participating governments would refrain from the use of measures to restrict trade.

Ministers stressed the necessity to promote cooperative relations between oil-producing and consuming countries. They were confident that efforts would be pursued to this end in the interest of the world economy and of harmonious and equitable economic growth.

Ministers agreed on the importance of international efforts to maintain liberal practices in world shipping.

Ministers recognised the importance for all countries of a greater stability of raw material prices and supplies. The EFTA countries would participate in international efforts to achieve this.

Ministers once more voiced their concern that because of recent economic developments the situation of many developing countries had seriously deteriorated. Continued efforts should be made in the appropriate international organisations to assist the countries most in need.

Ministers were of the opinion that efforts should be continued on the bilateral as well as the multilateral level in order to develop trade and other economic cooperation with the Socialist countries. They therefore reaffirmed that development of East-West economic relations continued to be an important part of the policies of the EFTA countries.

The next meeting of the Councils at Ministerial level will take place in Geneva on 6th November 1975.

European Free Trade Association
July 1974-June 1975

MEMBER COUNTRIES :

Austria Iceland Norway Portugal Sweden Switzerland

ASSOCIATE : Finland

CHAIRMANSHIP OF EFTA COUNCILS *

July 1974 - December 1974	EFTA Council :	Austria
	Joint Council of EFTA and Finland :	Finland
January 1975 - June 1975	EFTA Council :	Austria
	Joint Council of EFTA and Finland :	Austria

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Austria :	Ambassador R. Martins
Finland :	Ambassador K. Sahlgren
Iceland :	Ambassador E. Benediktsson
Norway :	Ambassador E. Hambro
Portugal :	Ambassador A. De Carvalho
Sweden :	Ambassador K.-G. Lagerfelt
Switzerland :	Ambassador P. Languetin

EFTA STANDING COMMITTEES

Agriculture and Fisheries Committee
Budget Committee
Committee of Origin and Customs Experts
Committee of Trade Experts

* See page 27.

Consultative Committee
Economic Committee
Economic Development Committee

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