

1980–1981

Twenty-first  
Annual Report  
of the  
European Free Trade  
Association



Geneva–September 1981



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# I. The year in EFTA: July 1980 to June 1981

The rate of economic growth and the level of employment in the EFTA area were higher than the average for the industrialized countries (the OECD area) at the beginning of the twelve months covered by this report. By the end of the period the expectation of growth was sharply reduced. Particularly in face of this deterioration the EFTA countries continued to insist, in a world of little or no growth, on the need for all countries to resist the temptation of protectionism, on the importance of structural adaptation as a condition for returning to a balanced expansion, and on the necessity of international cooperation as a means of overcoming common economic problems. They sought to strengthen their own free trade and to work towards the improvement of the liberal world trading system. They also strove towards a further development of their trade and economic cooperation with their principal trading partner, the European Community.

## General economic trends

Although as a group the EFTA countries had managed in 1980 to achieve a 3 1/2 per cent real increase in gross national product, compared with a rise of 1 1/2 per cent for the industrialized countries, the forecasts available in June 1981 indicated that little or no growth could be expected in the industrialized countries as a whole for that year. Of more direct significance for the economic prospects of the EFTA countries, a decline in production was predicted for Western Europe, and particularly for the United Kingdom and the Federal Republic of Germany, the largest markets for their exports. An increase in the already high rates of unemployment was foreseen for the industrialized countries. High rates of inflation persisted in the OECD area, and EFTA's Economic Committee concluded in May 1981 that the time had not yet come for a



move into a second phase of the strategy adopted by the OECD countries a year earlier – a gradual relaxation of demand management policies to be introduced once inflation had been reduced to acceptable levels. It was thought imperative that there should be a better policy co-ordination between countries in order to avoid excessive interest rates and reduce their fluctuations, particularly in view of the investments required to achieve sustained and non-inflationary economic growth.

For the EFTA countries as a whole the increase in economic activity for the calendar year 1981 was expected to fall to  $1\frac{1}{2}$  per cent, partly because of the declining output and demand in their main export markets and partly because continuing inflationary pressures and budget and current account deficits appeared for the time being to leave little room for manoeuvre in domestic demand policies. Unemployment remained at a low level in most EFTA countries, particularly in comparison with other Western European countries, but the slowing down of growth rates in most industrialized countries could have repercussions on the labour market of some EFTA countries.

The governments of the EFTA countries maintained their conviction that the outlook would only be worsened by departures from the liberal trading practices which had brought great advances in trade and levels of economic activity. Protectionist devices would further complicate the adjustment of national economies to changes in the world economy. For small countries in particular a coherent and predictable framework for world trade remained a necessity. Hence the EFTA ministers, at their meeting in May 1981, insisted on the need for strict adherence to the OECD declaration on trade policy and for the full implementation of the agreements reached in the Tokyo Round of Multilateral Trade Negotiations in the GATT, which were designed to reinforce the GATT rules, continue the process of dismantling tariffs and extend the liberalization of trade to areas other than tariffs. They also stressed the importance for all trading partners of avoiding sectoral approaches to current economic problems, of making full use of the multilateral framework when dealing with the problems, and of maintaining momentum in further improving the open world trading system.

## **EFTA activities**

The removal of non-tariff barriers to trade, the importance of which is more evident after the removal of tariffs, remained a priority for EFTA. EFTA's approach to the problem has been a pragmatic one. Rather than attempt to chart the whole field – a task undertaken by GATT on a world scale – it set out to identify areas



in which non-tariff barriers might cause most difficulties in intra-EFTA trade. This was done on the basis of notifications from individual countries of practices in other EFTA countries which might hamper trade. As in the previous year, it turned out to be possible to remove a number of items from further consideration on the ground that the particular problems had been satisfactorily overcome. Notifications of another kind – the advance announcement of the intention to introduce new or amended technical regulations for specific types of products – continued to be made, and the number of them increased during the twelve months under review. The purpose of this procedure, which has been used in EFTA since 1964 and is similar to that contained in the 1979 GATT agreement on technical barriers to trade, is to enable other EFTA governments to consider the implications for trade of the new regulations and comment on them before they take effect.

During the year a survey was compiled of the government aids provided in the EFTA countries, also on the basis of notifications made by governments in accordance with the EFTA agreement of 1968 on government aids. EFTA's Committee of Trade Experts examined the notifications and came to the conclusion that none of the government measures notified could be shown actually to have «frustrated the benefits», in the words of Article 13 of the Stockholm Convention, expected from the freeing of trade. Some members of the Committee did not rule out the possibility that some of the measures could have a negative effect on the trade between the EFTA countries, especially if the possible cumulative effect of the various measures was taken into account, but others stressed that no negative effects of this kind had been felt. The follow-up to this matter, as decided by the Councils, is described in Chapter II.

There were consultations at various levels throughout the year on many aspects of the relations between the EFTA countries and the European Community. The free trade agreements between them, which are administered by bilateral joint committees, were found to be working well and the number of bilateral agreements on cooperation in other fields continued to increase. The enlargement of the free trade system through the accession of Greece to the EC on 1st January 1981 brought an immediate and, on the part of the EFTA countries, very extensive reduction in tariffs on trade between the EFTA countries and Greece and will lead to complete industrial free trade between them by the end of 1985.

In the interest of serving and improving the free trade system within Western Europe there were discussions on the origin rules in the FTAs during the year as well as informal contacts between individual EFTA countries and the European Community on a number of other matters including technical barriers to trade and government aids.



On 1st July 1980 substantial tariff cuts were made on the trade between the EFTA countries and Spain as a consequence of the multilateral free trade agreement between them which had come into force two months earlier. The Joint Committee established to supervise the agreement expressed satisfaction in May 1981 at the way in which the agreement is functioning.

An attempt was made to extend the range of products that are duty-free within EFTA by a further liberalization of trade in fish. Since only some fish products are covered by the tariff-dismantling provisions of the Stockholm Convention it was proposed by Iceland that EFTA should examine the possibility of applying EFTA treatment to others. The matter was carefully considered but it was not found possible at the time to reach a consensus on means of bringing about a further liberalization. It was however agreed that the EFTA countries would inform each other in future of any changes in the treatment they apply to imports of fish.

In their commitment to the preservation of free trade the governments of the EFTA countries were supported by the representatives of industry, commerce and trade unions who form EFTA's Consultative Committee. This emerged clearly at the meeting of the Committee held in the presence of ministers in May 1981 when a discussion on the future role of EFTA showed agreement in particular on the continuing need to consolidate and constantly improve free trade both in EFTA itself and in Western Europe, and to maintain contacts with the EC with the aim of avoiding economic developments that would imperil the free trade achievements and hamper economic growth.

The link between trade policies and the problems of the current international economic situation was more directly explored when the Committee, on the same occasion, discussed structural adaptation in industry in all its aspects. The sharp rise in real energy prices, the emergence of new competitors in international trade, the development of new technologies, and the increase in competition that had resulted from the dismantling of trade barriers in Western Europe had combined to increase the difficulties involved in the adaptation necessary for economic development. Adaptation was considered by the Committee as a key element in any comprehensive strategy to encourage economic growth, bring about a substantial rise in employment and reduce inflation. It was also stressed that the structural changes should be carried out in a socially acceptable way.

The appropriate international framework for the domestic process of adaptation was considered to be the liberal trading system as established through GATT. It was the general view of the Committee that it was in the interest of the EFTA countries to defend the GATT rules and to preserve the free trade system in Western Europe against protectionist pressures, internal or external. A num-



ber of speakers also warned against the tendency to look for bilateral solutions to trade problems outside the GATT framework, not least because of the risks this entails for third countries, especially if they are small and export-oriented.

Underlying the whole of the debate and clearly expressed in discussion of the current economic situation was concern at the high and rising level of unemployment in the world. Many speakers emphasized that the need for a consensus between social partners and governments is all the greater when structural adjustments take place in a phase of slow growth. The EFTA ministers at their meeting in May described the unemployment situation as a grave economic and social problem which called for policies capable of restoring non-inflationary growth. A key element in such a strategy must be policies to further structural adaptation.



## II. Internal developments in EFTA

### Tariffs and quotas

#### Tariffs

Of the EFTA countries only Portugal levies duties on its imports of any industrial products from its partners in EFTA. No reductions in these duties were scheduled to take place during the twelve months covered by this report.

As required by Annex G to the Convention which, as amended in 1975 and 1976, empowers the Councils to authorize Portugal to retain or to introduce duties on particular products up to the end of 1984, an up-to-date list of the products still subject to duties in Portugal was noted by the Councils in December 1980. The possibility of introducing new duties under paragraph 6 ter of Annex G applies only to the products of newly established industries. For two intermediate glass fibre products (mat and roving), duties of 20 per cent ad valorem were introduced on 20th October 1980 and, in the case of imports from EFTA and EC countries, cut to 19 per cent from 1st January 1981. A series of three cuts will bring the tariff to zero on imports from EFTA or the EC at the end of 1984.

#### Quotas

The only quotas affecting trade in industrial products between the EFTA countries are those imposed since February 1977 by Portugal, for balance of payments reasons, on some consumer goods. The most recent Portuguese statistics indicate that 0.3 per cent of imports from other EFTA countries are covered by these quotas. The quota system remained in force during the period covered by this report.



## Origin rules

Several amendments were made during the year in the origin rules which determine which products are traded free of duty within EFTA, and also between the EFTA countries and the EC, since the origin rules under the free trade agreements are in essentials the same as in the Stockholm Convention.

Since the specific rules for the various kinds of product set out the nature or degree of the processing necessary for a product to be considered as originating in EFTA (or in the EC), changes are made from time to time to take account of such factors as developments in processing techniques. The rules for polishing discs, retreaded tyres and imitation jewellery of base metal (excluding wristwatch bracelets) were accordingly amended by Council Decisions in July 1980.<sup>1</sup>

The accession of Greece to the EC on 1st January 1981 also entailed amendments, which were adopted by the Councils in December 1980.<sup>2</sup> Some are permanent, consisting of the mention of Greece as an EC Member (in paragraph 2 of Article 24 and subparagraphs (b)(i) and (c) of paragraph 1 of Article 25). Others will be in force only until the end of 1985 since they apply to imports into EFTA of those industrial products originating in Greece (mainly iron and steel products) which will continue to be liable to duties, though at progressively reduced rates, until that date. These temporary amendments are expressed in additions to Articles 23 and 25 of Annex B and to the Explanatory Note 8 of Appendix 1 to the Annex.

Another amendment adopted by the Councils in December changed the definition of «Customs value» in the origin rules to say that it should be understood in accordance with the agreement on Customs value reached in April 1979 in the Tokyo Round of Multilateral Trade Negotiations.<sup>3</sup> (Note 6 of Appendix 1 to Annex B to the Stockholm Convention)

By another decision the Councils increased the limits on the value of goods that may be imported duty-free in the following circumstances: as commercial consignments which are covered by an EUR.2 form, as minor imports by bona fide travellers, or as small packages sent to private persons.<sup>4</sup> The purpose of this

<sup>1</sup> Decision of the Council No. 8 of 1980 and Decision of the Joint Council No. 3 of 1980.

<sup>2</sup> Decision of the Council No. 12 of 1980 and Decision of the Joint Council No. 5 of 1980.

<sup>3</sup> Decision of the Council No. 13 of 1980 and Decision of the Joint Council No. 6 of 1980.

<sup>4</sup> Decision of the Council No. 5 of 1981 and Decision of the Joint Council No. 1 of 1981.



amendment was to avoid a reduction in the real values specified in these provisions of Article 8 of Annex B.

The new value limits applied by the EFTA countries are as follows:

- for consignments for which an EUR.2 form may be used instead of an EUR.1 certificate: Austria, 49,400 schillings; Finland, 14,500 marks; Iceland, 19,000 kronur; Norway, 18,800 kroner; Portugal, 193,000 escudos; Sweden, 16,500 kronor; and Switzerland, 6,300 francs;
- for minor imports by bona fide travellers, for which no documentation is necessary: Austria, 9,900 schillings; Finland, 2,800 marks; Iceland, 3,820 kronur; Norway, 3,750 kroner; Portugal, 38,000 escudos; Sweden, 3,300 kronor; and Switzerland, 1,300 francs;
- for small packages sent to private persons, for which also no documentation is required: Austria, 3,500 schillings; Finland, 1,000 marks; Iceland, 1,320 kronur; Norway, 1,300 kroner; Portugal, 13,000 escudos; Sweden, 1,200 kronor; and Switzerland, 440 francs.

## **Charges other than tariffs**

### **Finnish import equalization tax**

The Finnish import equalization tax remains in force until the end of 1981. It applies to products which, when manufactured in Finland, are affected by a hidden tax burden.

### **Icelandic import equalization tax**

An import equalization tax is also still applied in Iceland, at a rate of 3 per cent, on the import of products which are also manufactured in the country. Its purpose is to compensate for the cascading effect of the sales tax levied at various stages of production on the domestically manufactured products.



## **Icelandic adjustment levy**

The 3 per cent adjustment levy applied in Iceland since 1st July 1979 on the import of a large number of industrial products which are also produced by the domestic industry lapsed at the end of 1980.

## **Icelandic import levy on confectionery, chocolates and biscuits**

At its request Iceland was authorized by the Councils in September 1980 to apply import levies of 40 per cent on confectionery and chocolates and of 32 per cent on biscuits for a period of eighteen months, in accordance with the provisions relating to difficulties in particular sectors that are contained in Article 20 of the Stockholm Convention. The rates are identical with those which Iceland is entitled to apply to imports from the EC under its free trade agreement with the EC, and they came into force on 5th September. In the same month the Government of Iceland announced the main lines of a programme for the economic revival of the two industries. The terms of the authorization required Iceland to ensure that imports from EFTA were treated no less favourably than similar imports from any other source and to present reports in March and September 1981 on the operation and effects of the levy and of the other measures in the recovery programme. From the first report it appeared to be too early to assess the effects.

## **Agriculture**

### **Annual review of agricultural trade**

The annual review of the development in agricultural trade within EFTA, required by Article 25 of the Convention, was carried out by the Councils in January 1981 on the basis of a Secretariat report on agricultural trade in 1979. The review covers the trade in agricultural goods (all agricultural raw materials and some goods produced by processing those raw materials) which do not benefit



from EFTA tariff treatment. These are listed in Parts II and III of Annex D to the Convention.

The statistics for 1979 showed the modest scale of trade between the EFTA countries in these products: only 2.1 per cent of the value of all intra-EFTA exports (f.o.b.) and 2.4 per cent of all intra-EFTA imports (c.i.f.). Both figures were slightly lower than a year earlier.

As a percentage of EFTA exports to all markets these agricultural exports were likewise small: 2.3 per cent, or slightly less than the revised figure for the previous year. On the other hand they represented 7.4 per cent of imports from all sources, the EFTA countries being net importers of agricultural goods. In the previous year the agricultural imports covered by the review amounted to 8.3 per cent of all EFTA imports but the share was sharply reduced in 1979 because of the large rise in the cost of oil imports.

The Councils were informed of two new bilateral agreements on trade in agricultural products, one between Finland and Sweden signed on 28th May 1980 and one between Norway and Sweden signed on 4th December 1980. The process of ratifying the agreements had not been completed by the end of June 1981. Both refer to Article 22 of the Stockholm Convention, which formulates EFTA's objective in relation to agricultural trade, and Article 23, on bilateral agricultural agreements. Each agreement provides for the creation of a special monitoring committee to follow the evolution of trade in agricultural goods between the two parties and to grasp the opportunities of increasing it. The agreements contain no specific obligations relating to tariffs.

## **Processed agricultural products**

A number of products (such as sweets, chocolate, biscuits, sauces, soups and spirits) which are manufactured by the processing of agricultural raw materials and which are listed in Part I of Annex D are duty-free in EFTA but governments may apply various measures to compensate for the difference between the prices at which the raw materials are available in the home market and the world market prices. The Committee of Trade Experts continued to review the obligatory notifications of any changes in the measures applied for this purpose by EFTA governments. The purpose of the review is to ensure that, as required by paragraph 1(c) of Article 21 of the Stockholm Convention, the compensation does no more than offset the differences between the domestic price and the world market price of the agricultural raw materials incorporated in



the finished goods. The Committee was informed in March 1981 that a solution had been found to a problem concerning the method by which the weight of the packaging is taken into account in Switzerland when calculating the weight of products subject to price compensation measures.

## Fish

Acting on a proposal made by Iceland at the ministerial meeting in June 1980 the Councils set up an ad hoc group of experts to examine the possibilities of liberalizing the trade within EFTA in the fish and other marine products that are listed in Annex E to the Convention. The Annex does not list all fish products since some were not taken into the list when the Stockholm Convention was drawn up, and two items were deleted in the early 1960s, but those listed were, and are, excluded from EFTA's tariff-dismantling programme.

The ad hoc group, which met three times between November 1980 and February 1981, examined the provisions in the Convention that relate to Annex E products, exchanged information on the import regimes in fact applied to these products in the EFTA countries, studied the trade statistics and thoroughly explored the possibility of deleting items from the Annex or using other means to liberalize trade in them. In this discussion the Icelandic delegate recalled that, so far as trade in fish is concerned, the objective of the Convention as expressed in Article 27 is to facilitate an expansion of trade that would provide reasonable reciprocity to countries whose economies depend to a great extent on exporting fishery products. Most delegations pointed out that the treatment of fish imports entering their countries was already very liberal (including in some cases duty-free entry on an autonomous basis) and thus facilitated trade; and some of them noted that Article 27 was qualified by an obligation to have regard to national policies and to the special conditions prevailing in the fishing industry.

Two EFTA countries were prepared to delete all of the items listed in the Annex and most of the others to delete some of the items, though not in all cases the same products. But the group was not able to reach a consensus to recommend any deletions or any other measure to bring about a further liberalization. It did however recommend the introduction of a procedure for notifying changes in the national regimes for the import of fish.

When the Councils considered the report of the ad hoc group in March 1981 the Icelandic Delegate expressed considerable disappointment over its main conclusion. Other delegates expressed regret at the outcome while emphasizing their efforts to meet the



wishes of Iceland. A month later the Councils agreed to introduce an obligation on the EFTA countries to notify changes in their import regimes. At the ministerial meeting of the Councils in May 1981 the Icelandic Minister stated that the notification procedure would keep the matter alive and hoped that it would soon be opportune to consider once again the possibility of further liberalization. Another delegation declared its readiness to enter into bilateral talks in an attempt to facilitate fish imports from Iceland.

## **Consultations and complaints**

### **General consultations and complaints procedure**

No EFTA country made use during the year under review of the general consultations and complaints procedure provided for in Article 31 of the Stockholm Convention.

### **Portugal: balance of payments measures**

The import surcharges and quotas applied in Portugal to reduce its balance of payments deficits were subject to only minor amendment during the year. On the latest Portuguese trade statistics available, 33 per cent of imports from EFTA are liable to a 10 per cent surcharge. The 60 per cent surcharge covers just under 0.4 per cent of imports from EFTA. Global import quotas remain in force for some consumer goods and for unassembled (CKD) cars.

### **Steel: surveillance measures in three EFTA countries**

The import prices of some steel products remained under surveillance in Austria, Finland and Sweden as a result of the prolongation of bilateral agreements between them and the EC. No quantitative restrictions are involved.



## **Iceland: import deposit scheme for furniture**

The import deposit scheme applied in Iceland to imports of furniture from all countries lapsed at the end of 1980, after being in force for almost two years.

## **Government aids**

In October 1980 the Councils instructed the Committee of Trade Experts to prepare a report on the aids given to industry by the governments of the EFTA countries. The Committee was to take stock of the aid measures notified earlier in the year by the individual countries in response to a request from the Secretary-General. It was also to compile a consolidated survey of the notifications, indicating the form and purpose of the aid, the type of beneficiary, and the cost. Finally, it was to discuss the notifications with the aim of determining whether any of the aids, in the words of Article 13, actually «frustrate the benefits expected» from the freeing of trade within EFTA. In this respect the Committee was to take account of the provisions of Article 13 and of the interpretation of it agreed in 1968 – the basis for the request for notifications – as well as of the work done in this field in GATT and the OECD.

The matter was discussed at two of the meetings of the Committee and a report, together with a consolidated survey of the measures notified, was presented to the Councils in March 1981. In its conclusions the Committee stated that it had not found, in the measures notified, any which actually frustrated the benefits expected from the freeing of trade in EFTA. Some delegations did not rule out the possibility that some of the measures could have a negative effect on the trade between the EFTA countries, especially if the possible cumulative effect of different aid measures was taken into account. Others stressed that no negative effects of this kind had been felt.

The Councils noted the report and in particular the conclusions just mentioned. They affirmed the importance of the full observance and effective implementation of the agreement of 1968, adding that the notifications should also include export credits provided by governments. Moreover they recalled their agreement that cooperation between the EFTA countries concerning the introduction and application of aid measures was necessary and that government aids would be kept under review, and consequently



reaffirmed that the Secretariat should keep the information on government aids up to date at intervals of a year or whenever a special need for such enquiries is felt.

## **Non-tariff barriers to trade**

EFTA continued to give priority to its work on the removal of non-tariff barriers to trade as an essential complement to the removal of tariff and quota barriers already substantially achieved within the European free trade system.

Particular attention was given to the implications for free trade in Western Europe of the agreements on non-tariff measures that resulted from the multilateral trade negotiations in the GATT. It had already been agreed in the Councils, after a preliminary Secretariat comparison between these agreements and the corresponding rules and practice in EFTA had found no major discrepancy between the two, that the guiding principle, in relations between the EFTA countries, would be to apply the rules that are the more liberal in the sense of promoting free trade or the more stringent in avoiding measures that would distort competition. At the same time the Councils decided to obtain the views of two expert committees, particularly on the possible need for amendments to the EFTA rules or changes in its practice. The Committee of Trade Experts accordingly completed a study of the agreements on subsidies and countervailing duties and the consequential revision of the anti-dumping code, technical barriers to trade, import licensing procedures, and government procurement, and the Committee of Origin and Customs Experts completed a study of the agreement on Customs valuation procedures.

After considering the findings of the two committees the Councils accepted the conclusion of the Trade Experts that it would be premature to amend the EFTA rules so long as there was little or no experience of the operation of the agreements, four of which came into effect in January 1980 and one in January 1981. The Councils will revert to the question in December 1981. On Customs valuation procedures the Councils endorsed the conclusion that there was no reason to introduce rules for Customs valuation in EFTA. As stated above in the section on origin rules, the definition of «Customs value» in Annex B to the Convention was amended in December 1980 to say that the term should be understood in accordance with the new GATT agreement.



On non-tariff barriers to trade within EFTA itself, the Committee of Trade Experts continued to pursue its task of identifying areas in which non-tariff measures are considered by EFTA exporters to cause difficulties. The work was done on the basis of notifications from individual countries of practices that could hamper trade. The results of bilateral consultations between the countries directly concerned were communicated to the Committee which found that a number of the notifications could be withdrawn.

In March 1981 the Committee of Trade Experts conducted its annual review of the INST procedure – the system by which the EFTA countries give each other notification in advance of any new technical regulations or any amendments of old ones which could constitute a technical barrier to trade. It noted that there had been a reduction in the number of notifications received in 1980. It was also informed that one country which had found it difficult to provide notifications in the absence of a centralized system for collecting information from the various authorities that draw up technical regulations had now introduced such a system. During the twelve months to the end of June 1981 the number of notifications received under the INST procedure was forty-nine, compared with twenty-seven in the previous twelve months.

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

Portugal, with its above average economic growth rate and a revival of business confidence, experienced a growth in fixed investment last year. In this context a satisfactory number of sound applications for loans for investment projects continued to be received by the EFTA Industrial Development Fund for Portugal. This enabled the Fund to continue to fulfil its aim of contributing to the strengthening of the Portuguese economy mainly by providing finance for projects planned by small and medium-sized enterprises operating in Portugal.

In the twelve months to the end of June 1981 it approved loans totalling 2,775 million Portuguese escudos (the equivalent of about 38.1 million US dollars) to assist in the financing of 50 specific investment projects in Portugal. Once these projects are completed they will provide greater security of employment for the 10,484 persons already working in the companies concerned and in addition create 536 new jobs.

Since the Fund first came into operation on 1st February 1977 it has granted loans totalling 6,250 million escudos (approximately



equal to \$85.7 million) towards the financing of 177 investment projects in Portugal. The Fund may not normally put up the whole of the cost of the projects. Including finance raised from other sources the total value of the investment in these projects amounts to 13,709 million escudos, the share of the Fund thus being 45.6 per cent.

The Fund's year does not correspond with the year covered in this report but the Fund's own fourth annual report (going up to 31st January 1981) gives a relatively up-to-date picture of the distribution by industry of the loans granted in the first four years of its operations. The statistics show that the food processing industry has been receiving a growing share of the loans and accounted for 17 per cent of the value of all the loans granted in the Fund's first four years, an appropriate trend in a country with a large agricultural sector and nevertheless a high level of food imports. In second place was the electrical equipment and heavy engineering industry, with 15 per cent of the total. The textile and clothing industry, with nearly 14 per cent of the total, was the third largest recipient of loans although there was only one relatively small project to which the Fund gave financial assistance in its fourth year.

The Fund's primary source of finance consists of the 84,604,516 Special Drawing Rights – the equivalent of \$100 million when the decision to establish the Fund was originally taken – which the seven EFTA countries undertook to put up in annual instalments in the five years to the end of January 1982. These contributions are called up by the Fund's Executive Commission as and when required to finance specific projects. Up to the end of June 1981 the cumulative total of called-up contributions amounted to 58.6 million SDRs. But the Fund also has a secondary source of cash, and one that is increasing substantially, in the form of interest paid by enterprises on the loans they receive, and the repayment of loans. Forty per cent of its expenditure in its fourth year of operation was financed from this secondary source.

The Fund continued to provide assistance for the improvement of management training in Portugal.

The Steering Committee, which is responsible for the operations of the Fund, met three times during the twelve months to the end of June 1980 and approved 10 loans totalling 1,563 million escudos in that period.

Although the Committee remained satisfied with the valuable way in which the Fund was contributing to the financing of new investment projects that are beneficial to the Portuguese economy, it considered certain aspects of the policy of the Fund in the future. This was thought to be opportune in view of the expected increase in the cash available and of the improvement in the investment climate in Portugal. On the provision in the Fund's sta-



tute that up to 10 per cent of the contributions may be used for loans on favourable terms or for grants for such purposes as project studies, the Committee concluded that, once this proportion has been used, any repayment of these loans could be used again for loans on easy terms or grants. The Committee also agreed that the Fund should take account, in its decisions on loan applications, of the priorities laid down in government medium-term plans for the development of the Portuguese economy.

The Executive Commission in Portugal, which is responsible for the administration of the Fund and for deciding on requests for loans not exceeding 1.2 million SDRs in each case, approved 40 loans amounting to 1,212 million escudos in the twelve months to the end of June 1981.

## **The Association with Finland**

June 26th 1981 was the twentieth anniversary of the entry into force of the Agreement by which Finland became an associate member of EFTA.

Meetings of the EFTA Council continued to be held simultaneously with those of the Joint Council of EFTA and Finland. Representatives of Finland took part in the meetings of committees and working groups that were held during the year. Finland was also represented in the Steering Committee of the EFTA Industrial Development Fund for Portugal.

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

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



From 1st July to 31st December 1980 the chairmanship of both Councils was held by Portugal and the vice-chairmanship by Switzerland. From 1st January to 30th June 1981 Switzerland held the chairmanship and Austria the vice-chairmanship.

## **The Economic Committee**

The Economic Committee, which consists mostly of officials from the finance ministries and central banks of the EFTA countries, met in December 1980 (in Stockholm) and April 1981. On both occasions there was an exchange of views on international economic and monetary developments. The economies of Austria, Switzerland and Iceland were surveyed at the December meeting and economic developments, particularly in the medium term, in Sweden, Norway, Finland and Portugal were reviewed at the April meeting.

The effects of the deterioration in the world economic prospects between the two meetings caused the Committee to take a more gloomy view in April of short-term developments in the EFTA economies in general. Many of the continuing economic difficulties affecting the industrialized countries – little or no economic growth, persistently high inflation rates, rising unemployment and higher oil prices – could be overcome in the view of the Committee only by means of medium-term strategies in which more rapid structural adaptation and higher productive investment play key roles. The Committee felt that the price mechanism must be fully utilized in order to restrain demand for energy and that investment designed to conserve energy and develop alternative sources must be encouraged. Growing protectionist pressures were seen as a serious obstacle to a revival of growth and employment in the medium term.

Given current inflation rates, a shift to a gradual relaxation of demand management policies was not considered opportune by the Committee in April. It advocated closer monetary cooperation between the United States and Western Europe in order to avoid fluctuating and excessively high interest rates since these are an important source of economic uncertainty and tend to depress investment.

As a group, the EFTA countries had been able to achieve a 3 1/2 per cent increase in gross national product in 1980. For 1981 a clearly lower growth rate was foreseen by the Committee. The estimated growth, put at some 1 per cent when the Committee met in



December, was revised downwards at the April meeting to  $1\frac{1}{2}$  per cent. Declining output and demand in the EFTA countries' main export markets, particularly in West Germany and the United Kingdom, together with the limited scope for manoeuvre in domestic demand policies in the EFTA countries themselves, were the main reasons for the deterioration of their growth prospects.

Following the December meeting there was an ad hoc informal meeting between experts from the EFTA countries and from the EC Commission for a discussion on the West European economies in the early 1980s.

After six years as Chairman of the Committee, Dr. F. Hain, of the National Bank of Austria, resigned in April 1981. The Committee elected Mr. P. Sorsa, Deputy Director of Economic Affairs in the Finnish Ministry for Finance, to succeed him. Mr. P.-L. Girard, Head of the Integration Office (Swiss Federal Department of Foreign Affairs/Federal Department of Public Economy) was elected Vice-Chairman.

## **The Committee of Trade Experts**

The Committee of Trade Experts met four times during the year. Much of its work concerned non-tariff barriers to trade and is described under that heading.

The Committee continued to consider a proposal relating to national regulations on the marking and labelling of pre-packed foodstuffs. The matter was raised because of the possibility that regulations formulated in the interest of consumers might, through the way in which they are applied, have the effect of restricting trade. It was therefore suggested that the Committee should find out which pre-packed foodstuffs, duty-free in EFTA, are subject to difficulties in trade, whether the source of the difficulties were regulations laid down for consumer protection and how much trade was actually affected. A number of delegations thought that specific problems in this field could be examined within EFTA but that the proposal as a whole would involve a duplication of work done elsewhere. It was finally agreed in the Committee that its members should supply lists of their national labelling and marking regulations to the Secretariat which would produce a combined list as a basis for further discussion.

The Committee also submitted to the Councils the report on government aids mentioned above, and kept under review the national price compensation measures in relation to processed



agricultural products. It was also informed of developments in connection with the reciprocal recognition schemes which are the subject of Chapter IV of this report.

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

There were seven meetings during the year of the Committee of Origin and Customs Experts which advises the Councils on matters concerning the origin rules in EFTA and the virtually identical origin rules in the free trade agreements between the EFTA countries and the EC.

The amendments to the origin rules described earlier in this report were adopted by the Councils on the recommendation of the Committee which also kept under review the possibilities of obtaining the agreement of the EC on the more general proposals for simplifying the rules which the EFTA countries put to the EC in 1975. These proposals included the use of a percentage criterion as an alternative to the present processing rules and a wider use of the possibilities of cumulation which allow EFTA or FTA tariff treatment for goods which, like many of the products of modern industries, undergo consecutive production processes in more than one tariff area in the European free trade system.

The Committee also worked out a common position of the EFTA countries in favour of another kind of simplification in the application of the origin rules. This would enable those manufacturers, which at present have to separate physically their stocks of materials that are identical but of different origin status, to use accounting methods instead as a means of identifying them when claiming EFTA or FTA tariff treatment. It is now up to the Councils and to the Joint Committees to decide whether this alternative should be permitted.

The possibility of allowing national Customs administrations in the countries in the free trade system to accept proof of origin transmitted not, as at present, by post but through the telecommunications networks is another form of simplification that is now being examined by the Committee.

The Committee brought together in a single document, for the sake of clarity, the texts of all the interpretations that have been agreed since 1973 concerning provisions in Annex B to the Stockholm Convention and in Protocol No. 3 of the free trade agreements. The document, in the form of a draft, was still under examination in the Committee at the end of June 1981.



Among the other work done by the Committee during the year were preparations for the meetings of the bilateral Customs Committees with the EC and for the meetings of the EFTA-Spain Joint Committee and its Sub-Committee on Customs and Trade Matters.

## **The Consultative Committee**

The Consultative Committee, which consists of representatives of industry, commerce, trade unions and other economic circles in the EFTA countries, held two meetings in the twelve months under review. The first was held in Lisbon in September 1980. The second was held in two parts, both in Geneva, one in February which was partly a preparation for the second session and one in May in the presence of government ministers from the EFTA countries. Mr. Rui de Almeida Mendes, Secretary of State for European Integration of Portugal, was in the chair at the Lisbon meeting and Mr. Fritz Honegger, Swiss Federal Councillor, Head of the Swiss Federal Department of Public Economy, and Mr. Paul Rudolf Jolles, Secretary of State, presided in Geneva.

The debate on the international economic situation at the Lisbon meeting showed great concern about the likelihood of a widespread recession that would cause more unemployment and have a greater impact on the EFTA countries. It was felt that the consequences of the recession might be as serious as at the time of the first oil shock in the middle of the 1970s, since unemployment in the industrialized countries was already so high. There was general agreement on the need to reduce inflation although not all speakers give this equal priority and there were differences on the right policies for combating inflation. There was general agreement on the need for more international cooperation to overcome current economic difficulties, restore growth and increase employment. Among other points that were generally agreed were that energy issues should be in the centre of medium-term policies, that for a time industrial countries would have to accept larger deficits on current account and that EFTA should be more active in promoting free trade as a means of overcoming current economic difficulties, including inflation.

There was also a discussion on the conclusions to be drawn from the meetings held in June 1980 on the occasion of EFTA's twentieth anniversary and attended by Ministers, the Consultative Committee and the Committee of Members of Parliament from the



EFTA countries. The Chairman stressed the importance which the Councils attached to the consensus reached in June on the following points: the need to maintain and develop free trade as a means of attaining the fundamental objectives of the Stockholm Convention, the need for closer international cooperation to master current economic difficulties, and the advantage of using the EFTA framework for these purposes, in accordance with the declaration from the EFTA summit meeting in Vienna in 1977 and without changing the character of the Association.

A rapporteur from the trade union side recalled the link which trade unions see between free trade and employment: rising unemployment forced governments to protect industries and so endanger free trade, while interference with free trade endangered employment in small export-oriented countries such as those in EFTA. It was of particular importance in the trade union view that the EFTA countries should live up to their international responsibilities and that there should be cooperation, particularly within Europe and including the social partners, in order to solve the problems of the current economic crisis. Moreover there was a need for new approaches in economic thinking, appropriate to the integration of the economies of Western Europe, and for flexibility and a political willingness to co-operate on the part of governments, the social partners, bankers, industrialists and other economic groups, in the search for solutions to current problems.

A rapporteur from the employers' side concluded that there had been agreement in June that free trade had produced benefits in terms of employment and living standards but that much still had to be done to defend and extend free trade. He drew attention to the progress already made, on a basis of open-mindedness and flexibility, in the form of the dialogue between the Consultative Committee and the Councils and of greater contacts at various levels with the EC. The cooperation within EFTA could be extended to other fields if it was understood to mean an exchange of views in which the participants could learn from each other and discover where there might be scope for common action.

But it remained necessary to take account of differences in national economic situations and in the constitutional requirements of individual countries.

At the February 1981 session many speakers argued that high priority should continue to be given to the fight against inflation, although there were differing views on how this should be done. The need for structural adaptation in view of the changed international economic situation was widely accepted. It was also generally agreed that greater investment activity was required to provide a large number of new jobs in industries capable of expanding.



From a discussion on the implications for cooperation in Western Europe of the second enlargement of the European Communities there appeared to be general agreement that there should be scope for more cooperation between the EFTA countries and the EC because of their common interest in preserving the free trade between them, maintaining economic stability, promoting industrial and technological development and pursuing liberal world trade policies. It was generally felt to be of great importance that the EFTA countries should demonstrate to the EC that they are of significance as partners in the free trade system, both as markets and as countries which share other interests and problems with the EC.

At the Committee session attended by ministers in May 1981 a group of two representatives from industry and two from trade unions submitted a report on structural adaptation in industry in all its aspects. The report drew conclusions from the discussions held in February, though with the proviso that it did not fully reflect all the details of the views of the four authors or of the individual EFTA countries. The required strategy, the report argued, must consist of adequate macro-economic policies as well as a general framework, and possibly special incentives, on which industries and companies can base their adaptation to longer-term requirements. Structural adaptation should be based on a social consensus arrived at in cooperation between governments and the social partners and should take place under acceptable social conditions. The liberal world trading system and European free trade must be defended.

As suitable measures to achieve a more rapid structural adaptation the report mentioned higher levels of investment; facilitating the working of the market mechanism, without any government intervention that would unduly impede the growth of productivity, labour market policies to alleviate the burdens of adjustment for those directly concerned, and more training facilities for the acquisition of new skills required in expanding sectors. The report also advocated cooperation on industrial policies between the EFTA countries and with the EC. On trade policies the report spoke of the need for a better use of the GATT mechanism both as a framework for solving trade problems between industrial market economy countries and for improving trade relations with developing countries. On the latter, the report maintained that the EFTA countries should take an active role in the formulation of general attitudes of the industrialized countries towards the developing countries, to avoid significant discrepancies in trade régimes. It also argued for a graduation of the preferences granted to the NICs under the generalized system of preferences, for the possibility of a temporary and selective use of Article XIX of GATT in cases of



market disruption, and for an extension of the Multi-Fibre Agreement.

The second major theme of the meeting was a report on the role of EFTA in the future, jointly written by a representative of the import and wholesale trade and by a trade union official. It stated that EFTA will have to continue to fulfil three independent tasks: the maintenance and encouragement of free trade, with the emphasis on ensuring that the rules of competition are correctly applied and on the removal of non-tariff barriers to trade; pragmatic cooperation within EFTA on trade policy in Western Europe and, in particular, on relations between the EFTA countries and the EC; and regular exchanges of views between the EFTA countries on economic and financial policies. The report also called for an intensification of the pragmatic contacts between the EFTA countries and the EC, with the aim of avoiding policies in either of the two groups that could prevent free trade or hamper economic expansion. The contacts, in the form of exchanges of information and consultations, should not be institutionalized and should take account of the structural and legal differences between the two groups. Co-operation between trade union organizations, employers, industry and commerce should be ensured in connection with the search for solutions to common economic problems.

## **The Economic and Social Sub-Committee of the Consultative Committee**

The Economic and Social Sub-Committee continued its work on the mandate given to it last year by the Councils at the suggestion of the Committee.

It is examining the following questions: in which branches of industry, in the EFTA and EC countries, are there difficulties in connection with protectionism, dumping and subsidies; and in which sectors of the economies of the EFTA and EC countries are there standards for particular products which are formulated in such a way as to differ considerably from internationally accepted standards and thus create unnecessary complications for trade and constitute trade barriers.

Although the scope and complexity of the subject made progress in the Sub-Committee's work difficult and slow at the start, a representative of industry drafted a report on current protectionist measures that were causing problems and a representative of the



unions a report on the means by which protectionist measures might be avoided. The two drafts were considered by the Sub-Committee in May, and a final, combined report will be presented to the next meeting of the Consultative Committee.

## **The Committee of Members of Parliament of the EFTA countries**

A delegation from the Committee of Members of Parliament of the EFTA countries met representatives of the European Parliament on 16th June 1981 to explore possible future contacts between the two institutions. The two sides declared their common interest in establishing a dialogue, as earlier proposed by the Committee, between representatives of the two bodies and agreed to recommend – to the EFTA Committee and the Bureau of the European Parliament – that representatives of the two should meet from time to time to exchange views on all aspects of the functioning of the free trade system and on any related questions of mutual interest. The delegations expressed the wish that there should be a working meeting in Geneva in the autumn of 1981.

The 1981 meeting of the Committee of Members of Parliament of the EFTA countries was to be held just after the end of the twelve months under review: on 6th to 8th July in Tromsø in the north of Norway. Among the items to be discussed are reports on EFTA activities since the April 1980 meeting of the Committee and on relations between the EFTA countries and the newly industrializing countries.

## **Other standing committees**

The Budget Committee met once during the year to examine the budget estimates for the financial year 1981 – 1982. Considering the tight budgetary situation in the EFTA countries, the Committee agreed on the importance of taking national practices and fiscal policies into account when considering the estimates.



## Information activities

The aim of EFTA's information activities continued to be to make the advantages of free trade and the contribution of EFTA to the free trade system in Western Europe better known and understood, and to present the commitment of the EFTA countries to a liberal international trading system.

The first new publication in the twelve months under review was «Economic integration and free trade in a changing world economy», the text of speeches made in June 1980 at the celebration of EFTA's twentieth anniversary. The speeches recognized the success of EFTA but dealt more with future economic challenges and stressed the vital importance of maintaining and reinforcing free trade, combating protectionism and fostering closer international economic cooperation. The speakers were Mr. Wilhelm Haferkamp, Vice-President of the Commission of the European Communities, Dr. Bruno Kreisky, Federal Chancellor of Austria, Mr. Emile van Lennep, Secretary-General of the OECD, Mr. Olivier Long, then Director-General of GATT and Mr. Charles Müller, Secretary-General of EFTA.

The up-dated edition of the 161-page study «The European Free Trade Association», published in English and Swedish in June 1980, was printed in Finnish, French, German, Norwegian and Portuguese editions, to make this detailed presentation of the work of EFTA more widely accessible in the EFTA countries.

Articles in the EFTA Bulletin, which is published six times a year in English, French, German, and Scandinavian editions, reported on the implementation of the multilateral free trade agreement between the EFTA countries and Spain, particularly in connection with the tariff cuts on 1st July 1980; on the entry of Greece into the European free trade system that resulted from its accession to the EC; on the tenth anniversary of the Pharmaceutical Inspection Convention; on the extension of the Euronet telecommunications network to Switzerland, the first of the EFTA countries to join it; and on EFTA ministerial meetings and the work of its committees. It also continued to include articles on various aspects of the economies of the EFTA countries. The «EFTA Reporter», a newsletter published at irregular intervals, presented news of developments in EFTA of direct interest to the business community.

Other publications during the year included an up-dated version of «Compulsory Technical Regulations», a brochure intended to assist exporters by listing the authorities responsible in the EFTA countries for the administration of technical regulations; «EFTA at a crossroads», the texts of the five essays that won prizes in a competition held in connection with EFTA's twentieth anniversary;



the fourth annual report of the EFTA Industrial Development Fund for Portugal; «EFTA Trade 1978» and EFTA's Twentieth Annual Report.

With the aim of encouraging academic research in fields in which EFTA is active, applications were invited in January 1981 for scholarships for postgraduate research into the activities of EFTA or European trade and trade policy. Three scholarships were awarded, with a total value of 20,000 Swiss francs.

## **Administration and Finance**

### **Appointment of new Secretary-General and Deputy Secretary-General**

Mr. Charles Müller, Secretary-General of EFTA since January 1976, is returning to the Swiss Federal Department of Foreign Affairs on 1st October 1981. At the ministerial meeting of the Councils on 15th May 1981 Mr. Per Kleppe, Minister for Planning in the Norwegian Government, was appointed to succeed him from 1st December 1981. In the interim Mr. Magnus Vahlquist, Deputy Secretary-General, will be Acting Secretary-General.

The Councils also appointed Mr. Norbert Faustenhammer, Deputy Head of the Permanent Austrian Delegation to EFTA, to be Deputy Secretary-General in succession to Mr. Vahlquist on his return to the Swedish Foreign Service on 1st April 1982.

### **The Secretariat**

At the end of June 1981 there were 34 officials in the professional category on the staff of the Secretariat and 41 general service staff members, eight of whom were employed on a half-time basis.



## Finance

The net budget for the financial year 1980 – 1981 was 9,867,232 Swiss francs. For the financial year 1981 – 1982, which began on 1st July 1981, the budget was fixed at S.Frs. 10,346,567 gross which, after the deduction of income estimated at S.Frs. 414,400, leaves a net sum of S.Frs. 9,932,167 to be financed by contributions from the EFTA States. The increase in the net budget is 0.66 per cent.

The scale of the contributions to the budget is determined by reference to the gross national products at factor costs of the EFTA countries. The basis for the contributions for the budgets for 1980 – 1981 and 1981 – 1982 was, in percentages, as follows:

	1980–1981	1981–1982
Sweden	27.58	28.24
Switzerland	26.06	26.56
Austria	16.36	16.34
Norway	12.12	11.76
Finland	10.91	10.38
Portugal	5.45	5.19
Iceland	1.52	1.53



### III. External relations

The EFTA countries continued consultations on general trade matters and on other matters related to the objectives of the Stockholm Convention. Questions relating to the free trade agreements between the EFTA countries and the European Community were reviewed and consultations were pursued on the possibilities of extending the cooperation between the EFTA countries and the EC; on the implementation of the multilateral free trade agreement between the EFTA countries and Spain which brought tariff cuts on 1st July 1980; and on the attempt to find practical methods for increasing cooperation with Yugoslavia.

#### **Relations with the European Community**

Because of the extent and variety of the commercial and economic links of the EFTA countries with the European Community there was a continuing process of consultation between them both on the working of the bilateral free trade agreements with the EC, and on the widening of their cooperation with the EC in other fields.

The most recent statistics confirm the great importance of the trade between the two groups. If the trade between the Community countries is excluded, EFTA was the destination of just over a quarter of the EC's exports in 1980, the proportion being slightly more than in the previous year. Similarly, if intra-EFTA trade is excluded, 62 per cent of the exports of the EFTA countries went to the EC. This percentage was clearly higher than a year earlier, although it was largely a consequence of the increase in the deliveries of Norwegian oil and natural gas to the United Kingdom and the Federal Republic of Germany. The two groups thus remain the largest trading partners of each other.



From 1st January 1981 when Greece became a member of the EC the free trade system in Western Europe was extended to a seventeenth country. As recorded in the last annual report, all the EFTA countries had engaged in negotiations with the EC on arrangements to be applied to their trade with Greece during the five-year transition while it is completing its integration into the EC. Protocols defining these arrangements came into force for all the EFTA countries except Portugal on 1st January. As a result almost all Greek industrial products apart from iron and steel have been able to enter the EFTA countries (except for Portugal) free of import duties from that date. Many industrial products from EFTA are likewise no longer liable to duties on import into Greece and the duties on the others will be removed by the end of 1985. As in its trade with the EC, Greece is entitled to apply quotas on some imports from EFTA but the quotas have to be progressively liberalized and then abolished at the end of the five-year transition. Portugal initialled similar protocols in April 1981 but they had not been signed by the end of June.

There were two rounds of meetings during the year of most of the bilateral Joint Committees which administer the free trade agreements. The agreements were considered to be working well although the delegations of several EFTA countries drew attention to the large size of their deficits in trade with the EC. The EFTA countries stressed the common interest in a simplification of the origin rules and recalled the proposals they had advanced earlier for that purpose, which were still being considered in the EC. They also urged the need to complement the removal of tariffs and quotas by progress in eliminating non-tariff barriers to trade, and especially technical barriers.

At the one meeting of the Portugal-EC Joint Committee the Portuguese Delegation stated that the Free Trade Agreement was functioning well technically but that there had been a further increase in the Portuguese deficit on trade with the Community. It also asked for more favourable treatment for Portuguese exports of agricultural and fish products both as part of the management of the Free Trade Agreement and as a preparation for Portugal's prospective entry into the EC.

In June 1981 there were meetings between Norway and the EC and between Sweden and the EC in which the level of representation was higher than in the Joint Committees. These meetings, at which the Norwegian and Swedish Delegations were headed by ministers, reflected agreements to replace one of the two annual meetings of these two Joint Committees by a high-level meeting on current international economic affairs and bilateral issues.

The interest of the EFTA countries in expanding their economic relations with the EC also in fields outside the free trade agreements was stressed in the Joint Committee meetings which also



served as occasions for reviewing recent developments in this respect. One of the newest developments mentioned was the extension to Switzerland of the Euronet telecommunications network which gives access to the EC's data and documentation system. Sweden and Finland have also concluded agreements on the extension of Euronet to their countries, and three other EFTA countries are considering participation in it.

A number of technical aspects of the origin rules was discussed at the semi-annual meetings of the bilateral Customs Committees established by the Joint Committees.

Delegations from EFTA's Consultative Committee and the Economic and Social Committee of the EC met for the seventh time in February 1981. It was generally agreed, after an exchange of views on the economic outlook, that the similarities in the problems facing both the EFTA countries and the EC made these meetings of great value. A discussion on the consequences of the second enlargement of the EC revealed a general feeling that the enlargement would bring new challenges and also provide new possibilities for cooperation between the EFTA countries and the Community. The free trade policies should be complemented by closer cooperation in economic matters in so far as they are relevant to the ensuring of free trade which, once the enlargement is completed, will cover eighteen countries in Western Europe.

In June 1981 officials from the EFTA capitals who deal with relations with the EC met again in Geneva to exchange information and views on cooperation with the Community.

Finally, there was another informal meeting, in March 1981, between the EFTA Secretariat and the services of the EC Commission at which information was exchanged on recent developments within EFTA and the EC.

## **Relations with Spain**

On 1st July 1980 tariffs were reduced on the trade between the EFTA countries and Spain under the multilateral free trade agreement between them that had come into force on 1st May 1980. Except for Portugal, for which there is a separate timetable, the EFTA countries cut their import duties on almost all industrial imports from Spain by 60 per cent on that date, with reductions of 30 or 40 per cent on a few sensitive products. Spain in return reduced its tariffs on some industrial imports from EFTA by 60 per cent and on most industrial products by 25 per cent. The objective of the agreement is to eliminate all tariffs and other trade restric-



tions on substantially all the trade between the EFTA countries and Spain.

The implementation of the agreement is supervised by a Joint Committee which met in Geneva in December 1980 and in Madrid in May 1981. It was recognized that the tariff cuts were too recent for any appraisal to be made of the effects of the agreement, although there was satisfaction at the way in which it was functioning. From the statistics for 1980 the Committee concluded that the trade between the EFTA area as a whole and Spain was nearly in balance, but that there were significant differences from one country to another. There was an increase, compared with the previous year, in the proportion of Spanish manufactured exports that were sent to the EFTA countries. Although there was little difference between the two years in EFTA's share of the Spanish market for imported manufactures, the share was higher in the second half of 1980 – from the application of lower tariffs – than in the first half. It was agreed at the same meeting that preparations should be made for the annual review of the possibility of taking further steps towards the elimination of barriers to trade between the EFTA countries and Spain.

A number of technical aspects of the agreement were considered at two meetings of the Sub-Committee on Customs and Trade Matters, whose reports were discussed at the Joint Committee meetings. The subjects included the rules of origin, quantitative restrictions, border tax adjustments and discrepancies between the foreign trade statistics of the EFTA countries and of Spain.

At both meetings the Joint Committees also considered reports from the working group on the implementation of the special provisions for trade between Portugal and Spain, which are designed to take account of the fact that Spain's industry is larger and more varied than Portugal's. During the first four years of the agreement Portugal is reducing its tariffs on imports from Spain less sharply than are the other EFTA countries, and Spain is granting Portugal larger tariff reductions than it granted to the other EFTA countries. A second phase will lead to the elimination of all obstacles to trade between Portugal and Spain.

## **Relations with Yugoslavia**

The Joint EFTA-Yugoslavia Committee, which was established in 1978 to expand the economic cooperation between the EFTA countries and Yugoslavia, agreed to set up two new expert groups



when it held its third meeting, in September 1980 at Milocer in Montenegro.

Recognizing the common interest in developing long-term production and technological cooperation as a means of securing stable economic relations between the EFTA countries and Yugoslavia, the Joint Committee decided to appoint a group of experts to draft model contracts for long-term industrial cooperation, for the exchange of technology and for joint ventures. The model contracts could provide guidelines for enterprises in the EFTA countries and in Yugoslavia when negotiating projects for industrial cooperation and drawing up contracts for this purpose. The experts were continuing their work at the end of June 1981.

The other new expert group was given the task of studying the trade between the EFTA countries and Yugoslavia with the aim of finding ways of increasing it. The group has met twice, had an extensive exchange of views on the general development of the trade as well as of the framework within which it is conducted, and is expected to complete its report in the autumn of 1981.

Work on various forms of assistance from EFTA to the development of tourism in Yugoslavia continued. Experts from Austria and Switzerland are preparing special studies on tourism in Montenegro. The Nordic countries are engaged in studies on the development of consumer demand in Nordic countries in relation to the specific needs of mountain tourism in Montenegro and on the cost-benefit analysis of tourist projects.

## **Relations with international organizations**

The EFTA countries continued to use the EFTA framework for consultations on matters of interest under discussion in other international organizations concerned with the development of world trade. These included the General Agreement on Tariffs and Trade (GATT), particularly in connection with the implementation of the results of the Tokyo Round of Multilateral Trade Negotiations and with the GATT examination of the multilateral free trade agreement between the EFTA countries and Spain; the Organisation for Economic Co-operation and Development (OECD), in connection with general economic questions; and the United Nations Economic Commission for Europe (ECE).

Close links were maintained with the Council of Europe. Progress reports on EFTA activities were presented to the meetings of the Committee of Ministers of the Council of Europe, by Mr. Rui de Almeida Mendes, Portugal's Secretary of State for European Inte-



gration, in October 1980 and by Mr. Pierre Aubert, Swiss Federal Councillor and Head of the Swiss Federal Department of Foreign Affairs, in May 1981. In January 1981 there was a meeting between the EFTA Secretariat and the Secretariat of the Council of Europe.

EFTA was represented at the three meetings during the year of the Administrative Council of the European Patent Organization (EPO), with which it has observer status. The European Patent Convention, which has been in force since October 1977, has been ratified by eleven states. It provides for the granting of European patents which protect the right of an inventor in as many of the member countries of the EPO as he names when applying for a European patent.

EFTA was also represented at the December meeting of the Interim Committee for the Community Patent Convention. This Convention is not yet in force but is intended to complement the European Patent Convention and deals with the unitary effect of European patents granted for the Community countries. It also provides, on the basis of a special agreement, for the possibility of other countries, including those in EFTA, to participate in the Convention.

In order to follow the work going on in the international organizations that deal with standardization, representatives of EFTA took part in a number of their meetings.

As an observer EFTA was represented at the October 1980 meeting of the Council of the International Union for the Protection of New Plant Varieties (known as UPOV from the initials of its French name).



## IV. International cooperation on technical barriers to trade

A number of international arrangements introduced in order to overcome technical barriers to trade were originally worked out in EFTA but are independent of it. They deal specifically with obstacles that arise when national authorities prescribe tests or inspections to ensure that particular categories of products fulfil national requirements. Because of the continuing interest of EFTA and the EFTA countries in the effectiveness of these arrangements as contributions to the freeing of trade, a brief report is given here of developments during the twelve months under review.

### The reciprocal recognition schemes

Most of these arrangements take the form of international schemes which provide for the reciprocal recognition of national tests or inspections of particular types of product. Reciprocal recognition makes it in principle unnecessary for national authorities to test or inspect products which have already been tested or inspected by a recognized testing institution in another of the countries covered by the relevant scheme. The participants in most of the schemes include national authorities not only from the EFTA countries but also other countries, some of them members of the European Community.

The participants in the scheme relating to *Pressure Vessels* are the authorities responsible for approving static pressure vessels, gas cylinders and other transportable pressure vessels in nine countries: Austria, Denmark, Finland, Iceland, Norway, Portugal, Sweden, Switzerland and the United Kingdom. Representatives of these authorities agreed in June 1981 that the scheme had been functioning well on the whole. They also discussed model test



forms and rules concerning the competence required of the personnel who carry out tests on pressure vessels.

There was no meeting during the year under review of the participating authorities in the scheme relating to *Ships' Equipment* but one is scheduled for September 1981. The authorities concerned are those responsible for approving any kind of ship's equipment in ten countries: Denmark, Finland, the Federal Republic of Germany, Iceland, the Netherlands, Norway, Portugal, Sweden, the United Kingdom and Yugoslavia.

Nor was there a meeting of the approval bodies in the scheme relating to *Gas Appliances* since the use of the scheme remains limited, partly because there are few international standards in this field. The approval bodies nevertheless exchanged information on such matters as the number of licences granted under the scheme, on requests from testing institutions for recognition, and on changes in the list of national regulations and standards. The scheme is in force in Austria, Denmark, Finland, Iceland, Italy, Norway, Portugal, Sweden, Switzerland and the United Kingdom.

The scheme relating to *Agricultural Machines and Tractors* continued to work smoothly. When representatives of the authorities participating in the scheme met in November 1980 they concluded that no difficulties had been encountered in its operation. They updated, where necessary, the documents listing national safety regulations for various types of agricultural machine and for some components. The participants in the scheme are the authorities responsible for approving agricultural machines and tractors in Austria, Denmark, Finland, Norway, Portugal, Sweden, Switzerland and the United Kingdom.

The authority responsible in Sweden for the approval of *Lifting Appliances* has been invited to the next meeting of the authorities from the five countries already covered by the scheme: Austria, Finland, Iceland, Norway and Switzerland. For these countries, Sweden is an important trading partner so far as lifting appliances are concerned, and a Swedish participation in the scheme which first came into force in 1978 would make a wider use of the scheme possible.

In the case of the scheme relating to *Heating Equipment using Liquid Fuel* a meeting of the participating approval bodies noted a decline in the trade particularly in small appliances of this kind as a result of a change to other fuels. The scheme is in force in all EFTA countries.



There were two meetings of the committee established under the scheme for the reciprocal recognition of *Evaluation Reports on Pharmaceutical Products*, which has been in force since June 1979 in Austria, Finland, Norway, Sweden and Switzerland. These are reports prepared by the authority responsible in one of these countries for the registration of pharmaceutical products, after it has completed the very lengthy process of evaluating the tests and scientific documentation provided by the manufacturer. Once a product has been registered in one of these countries the scheme makes it possible for the registration authority in any of the other countries to obtain the evaluation report and decide whether or not to accept it, wholly or in part, as sufficient evidence to authorize the sale of the product.

At its meeting in November 1980 the committee introduced some technical amendments to the wording of the scheme. In May 1981 it had a first discussion on a new EC proposal for a directive that would introduce within the Community the principle of the reciprocal recognition of marketing authorizations. The matter will be discussed in greater detail at the Committee's next meeting.

## **Pharmaceutical Inspection Convention**

The tenth anniversary of the entry into force of the Pharmaceutical Inspection Convention was marked by a symposium held in Geneva in May 1981 at which both national pharmaceutical officials and representatives of the pharmaceutical industry showed satisfaction at the working of the Convention.

The Convention applies to any medicine or similar product intended for human consumption which is subject to control by health legislation. It lays down that the Convention countries will exchange, on the basis of inspections, such information as is necessary for the health authority in an importing country to be able to accept inspections carried out in the country of manufacture.

At present the Convention is in force in twelve European countries. Two other countries which have expressed their interest in joining, and which the Convention's Committee of Officials recognized as having the necessary national arrangements to apply an appropriate inspection system, have been invited to adhere to the Convention. The Committee of Officials was informed at its May



meeting that the legislation necessary for the Federal Republic of Germany to accede was expected to be presented to Parliament in the autumn of 1981, and that the invitation to Romania to join had been handed over in April 1981. The countries in which the Convention is already in force are: Austria, Denmark, Finland, Hungary, Iceland, Ireland, Liechtenstein, Norway, Portugal, Sweden, Switzerland and the United Kingdom.

Work continued during the year on the up-dating of «Basic Standards of Good Manufacturing Practice for Pharmaceutical Products». This text, drawn up by the Committee of Officials in 1972, provides a common basis of reference for the preparation and exchange of inspection reports. A working group set up by the Committee met three times during the year to formulate an updated version. A revised version of «Guidelines for the Manufacture of Sterile Products», a complement to the «Basic Standards», was adopted by the Committee in May 1981.

At the same meeting the Committee of Officials agreed to recommend to their authorities the use of a common approach in meeting requests from the health authorities in developing countries for information on pharmaceutical products. In doing so they took account both of requests from the World Health Organization for assistance in health matters to those countries and of the basic considerations underlying the GATT agreement on technical barriers to trade.

As part of the continuing programme of training national inspectors in the application of the Convention a seminar on the application of good manufacturing practice in control laboratories was held in Budapest in June 1981.

## **Hallmarking Convention**

Although there was a sharp drop in 1980 in the number of articles of precious metals that were marked with the Common Control Marks of the Hallmarking Convention, the drop reflected the considerable decline in the number of articles hallmarked for domestic markets, itself an effect of the high prices of precious metals. The common hallmarks are applied to indicate that the articles – of gold, silver or platinum – meet the standards of this international convention which is at present in force in Austria, Finland, Sweden, Switzerland and the United Kingdom.



The Standing Committee which supervises the operation of the Convention met twice during the year. It continued its work on the co-ordination of the practices used in the five countries for assaying and marking the various kinds of articles of precious metals.



## V. EFTA Trade in 1980

In 1980 world trade virtually stagnated. Preliminary figures published by GATT show that the dollar value of world trade grew by 21 per cent, compared with 25 per cent in 1979, and the volume of world trade by 1 per cent compared with 6 per cent in 1979. The difference between the figures for value and volume indicates the high rates of international inflation. To a large extent the slowing down in the real growth of trade resulted from a 10 per cent drop in the volume of trade in crude oil and refined petroleum products.

A slower rate of growth was also found in the value of the trade of the EFTA countries. In dollar terms exports grew by 18.1 per cent compared with 24.6 per cent in the previous year and imports by 24.1 per cent compared with 29.6 per cent.

Statistics on the volume of trade are not yet available for all EFTA countries. There were however large increases in the volume of imports into Finland (12.1 per cent), Norway (10.7 per cent) and Austria (8.2 per cent) and, in the case of Switzerland, an increase of 3 1/2 per cent. Imports into Sweden were unchanged in volume. Smaller gains were achieved on the export side, with increases of 9.3 per cent for Finland, 6.2 per cent for Norway, 5.4 per cent for Austria and 0.7 per cent for Switzerland, while Swedish imports declined by 1.9 per cent.

The statistics given in the text that follows are all based on the dollar value of trade in 1980. For comparison's sake, the import and export figures in national currencies are given in Table III.

### Trade balances

For the second year running there was a substantial increase in the combined trade deficit of the EFTA countries, which rose from



12.1 billion US dollars in 1979 to 20.9 billion in 1980. They and other small countries thus took a substantial share of the trade deficits of the OECD countries that followed from the increase in oil prices.

One country only – Norway – was able to report a surplus of \$1.5 billion as the sharp rise in the value of its exports of oil and gas brought its trade account into surplus for the first time. (Traditionally Norway had a surplus on its service account because of earnings from shipping.) In each of the other six countries there were big increases in the trade deficits. In absolute terms, as Table I shows, the biggest increases were those of Switzerland and Austria which between them accounted for two-thirds of the combined EFTA trade deficit.

A regional breakdown of the combined deficit shows that the major part was incurred in trade with the EC: \$12.4 billion. The figure would have been very much higher in the absence of the oil and gas production in the Norwegian sector of the North Sea since almost the whole of the output – worth \$8 billion in 1980 – is at present delivered by pipeline to the UK and the Federal Republic of Germany and accordingly contributed substantially to the \$5 billion surplus on Norway's trade with the EC. For EFTA as a whole there was a deficit of \$3.5 billion in trade with the USA, of \$2.3 billion in trade with Eastern Europe and of \$2.9 billion in trade with the rest of the world.

### **Main features of EFTA trade in 1980**

The combined exports of the EFTA countries amounted in 1980 to \$116 billion, a little under 6 per cent of world trade. Although for the year as a whole the value was 18.1 per cent higher than in 1979, quarterly figures show that (in dollars) the rate of increase was slowing down during the year from 31.6 per cent in the first quarter to 7.0 per cent in the fourth. Because of the appreciation in the exchange rate of the dollar which began in the last three months of 1980 the quarterly comparison in dollars probably exaggerates the real decline in the growth rate. Stated in terms of the European Currency Unit (ECU), the increase in the value of EFTA's exports declined from 26.3 per cent in the first quarter of 1979 to 12.3 per cent in the fourth, and since the ECU is a basket of currencies that reflects the relative importance of the currencies of the EC, the destination of more than half of EFTA's exports, these figures probably give a more reliable indication of the trend.



As for imports, there was an increase of 24.1 per cent to a combined total of \$137 billion. A quarterly breakdown shows a falling rate of growth during the year, the increase in the first quarter (in ECUs) being 36.5 per cent and in the final quarter 9.8 per cent.

The regional breakdown used in the tables shows that exports to the EC continued to grow at a greater rate than EFTA's exports as a whole, although the rate of increase fell from 30.8 per cent in 1979 to 21.1 per cent in 1980. Intra-EFTA trade, measured in exports, rose by 17.3 per cent. Above-average increases are shown in the value of imports from the rest of the world – 41.5 per cent – and from the US – 31.4 per cent.

Substantially larger deliveries of oil and gas enabled Norway to raise the value of its exports by 37.4 per cent, the biggest increase for any EFTA country. The improved competitiveness of Portuguese industry was the main reason for the 33.1 per cent rise in the value of that country's exports. A big rise in sales to Eastern Europe combined with continuing gains in market shares in Western Europe were among the factors in a 26.9 per cent growth in exports from Finland. The increase in the exports of the other EFTA countries was below the average for EFTA.

The biggest increases in imports were reported by Portugal (44.4 per cent) and Finland (38.1 per cent).

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

Two-thirds of the trade of the EFTA countries is with the countries which form the European free trade system: the EFTA countries themselves and the EC. Exports to these markets amounted to \$78.7 billion in 1980, an increase of 20 per cent on 1979.

As a group the EFTA countries remained the most important trading partner for the EC. They accounted for 25.4 per cent of the external exports of the EC, a slightly larger proportion than in 1979. Their share of the imports of the EC, excluding intra-EC trade, amounted to 17.9 per cent compared with 19.1 in 1979.



### **Intra-EFTA trade**

As measured by exports, intra-EFTA trade rose by 17.3 per cent to a total of \$17.7 billion in 1980. The increase in the previous year had been 26.6 per cent.

Sweden continued to account for over a third of intra-EFTA trade and its sales to its partners rose by 16 per cent. The biggest increase, however, was recorded by Portugal whose exports rose by 42.2 per cent. Finland remained in second place as a source of intra-EFTA exports with an increase of 23.4 per cent in 1980, including substantial gains in its exports to Sweden, which is by far its largest market in EFTA, and to Austria, Iceland and Portugal.

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

The total value of the exports of the EFTA countries to the EC rose by 21.1 per cent to \$61 billion while their imports from the EC rose by 19.4 per cent to \$73.3 billion.

After Norway, whose exports to the EC grew by 52.8 per cent, Portugal was the country which increased its exports most, by 28.1 per cent. The smallest increases were reported by Sweden (12.3 per cent) and Switzerland (13.2 per cent) but these two countries account for almost half of the total value of exports to the EC.

Switzerland remained the largest market in EFTA for the EC and the 20.3 per cent rise in its imports from that source exceeded the EFTA average of 19.4 per cent. The Swiss trade deficit with the EC amounted to some 9 1/2 billion dollars, which almost corresponds to the trade deficit of the EC with Japan. Portugal and Norway also increased their imports from the EC by more than the average while Sweden, the second largest market, reported a rise of only 12.3 per cent.

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

EFTA exports to the US rose by 6.2 per cent to \$5.6 billion but its imports from the US grew by as much as 31.4 per cent, to a total of \$9.1 billion.

On the export side the largest increase in dollars terms was reported by Switzerland whose sales rose by 16.7 per cent but there was also a 29.4 per cent increase in Portuguese exports to



the US. The exports of all the other EFTA countries either fell in value or increased only marginally. In percentage terms the biggest increase in imports was reported by Iceland (74.2 per cent) and there were above-average rises in imports into Finland, Norway, Portugal and Switzerland.

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

EFTA's trade with Eastern Europe grew at rates almost identical with those of EFTA trade as a whole. Exports rose by 17.9 per cent to \$7.6 billion and imports by 24 per cent to \$9.9 billion. More than half of the trade is accounted for by two EFTA countries, Finland and Austria. Imports from Eastern Europe to Finland grew by 46.1 per cent, or at roughly the same rate as in 1979. Finland's exports increased by 55.8 per cent, compared with 3.5 per cent in 1979, the increase reflecting a catching up on the growth in the value of imports, particularly of oil and oil products, on the basis of bilateral trade arrangements. In the case of Austria, there was a rise of 32.9 per cent in imports and of 5.1 per cent in exports.

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

A fifth of EFTA's trade is with areas not already mentioned. Exports to these countries rose by 14.6 per cent to \$24.2 billion and imports from them by 41.5 per cent to 27.2 billion. The growth on the import side was greater than in 1979 and the continuing rise in oil prices was one of the main factors.



# Trade balances of the EFTA countries

Table I

(in million US dollars)

	1974	1975	1976	1977	1978	1979	1980
Austria	- 1,862	- 1,874	- 3,016	- 4,421	- 3,841	- 4,759	- 6,888
Finland	- 1,325	- 2,115	- 1,051	+ 58	+ 70	- 158	- 1,460
Iceland	- 186	- 179	- 66	- 96	- 30	- 37	- 71
Norway	- 2,145	- 2,479	- 3,190	- 4,162	- 1,383	- 274	+ 1,536
Portugal	- 2,190	- 1,892	- 2,404	- 2,932	- 2,730	- 3,057	- 4,810
Sweden	- 504	- 395	- 697	- 1,031	+ 1,233	- 1,006	- 2,495
Switzerland	- 2,511	- 345	+ 73	- 361	- 291	- 2,830	- 6,717
EFTA	- 10,724	- 9,279	- 10,351	- 12,945	- 6,341	- 12,121	- 20,905



# EFTA trade in 1980

Table IIa

(in million US dollars)

	EFTA	EC	USA	Eastern Europe	Rest of World	World
<i>Imports (c.i.f.)</i>						
Austria	1,912.2	15,095.4	819.4	2,355.6	4,075.9	24,258.5
Finland	2,748.0	5,222.0	904.3	3,807.8	2,931.8	15,613.9
Iceland	213.2	440.5	93.9	111.3	141.9	1,000.8
Norway	4,068.1	8,119.3	1,357.5	369.2	3,038.0	16,952.1
Portugal*	699.2	3,656.8	1,048.8	226.8	3,817.4	9,449.0
Sweden	5,365.9	16,450.7	2,432.3	1,618.5	7,544.5	33,411.9
Switzerland	2,515.7	24,344.6	2,450.7	1,420.0	5,602.9	36,333.9
Total EFTA	17,522.3	73,329.3	9,106.9	9,909.2	27,152.4	137,020.1
<i>Exports (f.o.b.)</i>						
Austria	2,157.2	9,444.8	378.6	2,093.7	3,296.6	17,370.9
Finland	3,330.8	5,466.2	446.9	2,814.7	2,095.3	14,153.9
Iceland	141.0	353.3	200.5	82.5	152.2	929.5
Norway	2,335.0	13,133.2	552.4	265.7	2,202.2	18,488.3
Portugal*	654.0	2,542.0	269.0	88.1	1,085.5	4,638.6
Sweden	6,394.6	15,143.6	1,653.9	1,195.5	6,528.9	30,916.5
Switzerland	2,709.0	14,877.1	2,120.6	1,062.6	8,847.2	29,616.5
Total EFTA	17,721.6	60,960.2	5,621.9	7,602.8	24,207.9	116,114.2

\* Data for areas. provisional



# Percentage change from 1979

Table IIb

(with 1979-1978 percentage change in brackets)

	EFTA	EC	USA	Eastern Europe	Rest of World	World
<i>Imports (c.i.f.)</i>						
Austria	13.1 (17.0)	15.5 (25.2)	27.9 (32.1)	32.9 (26.6)	35.3 (37.3)	20.2 (26.4)
Finland	20.7 (37.4)	33.6 (39.5)	58.0 (44.9)	46.1 (45.5)	50.9 (61.1)	38.1 (44.0)
Iceland	13.4 (24.8)	14.8 (19.9)	74.2 (11.6)	6.5 (50.1)	47.8 ( 5.5)	21.1 (21.5)
Norway	14.1 (18.8)	25.7 (25.7)	37.5 (27.3)	-7.0 (24.3)	30.9 ( 6.1)	23.5 (20.2)
Portugal	40.8 ( 8.2)	34.6 (14.8)	36.6 (25.3)	8.5 (56.4)	62.4 (47.3)	44.4 (26.5)
Sweden	17.2 (36.7)	12.3 (39.7)	17.3 (38.0)	-8.4 (63.2)	37.9 (34.8)	17.1 (39.3)
Switzerland	19.7 (23.2)	20.3 (26.1)	33.5 ( 3.4)	25.2 (35.3)	40.3 (21.7)	24.0 (23.9)
Total EFTA	17.6 (26.6)	19.4 (29.0)	31.4 (23.9)	24.0 (41.8)	41.5 (31.3)	24.1 (29.6)
<i>Exports (f.o.b.)</i>						
Austria	14.4 (21.7)	14.3 (29.9)	-3.5 ( 7.7)	5.1 (19.6)	13.7 (32.3)	12.6 (27.2)
Finland	23.4 (41.1)	19.5 (40.2)	-5.9 (40.9)	55.8 ( 3.2)	31.5 (23.8)	26.9 (30.4)
Iceland	30.8 (28.0)	15.9 (46.2)	-9.3 (16.0)	28.9 (27.7)	65.4 (-18.7)	17.7 (21.5)
Norway	14.8 (33.5)	52.8 (44.3)	1.5 ( 1.0)	8.1 (-23.0)	8.4 (21.5)	37.4 (34.0)
Portugal	42.2 (42.4)	28.1 (46.6)	29.4 (22.4)	-11.5 (32.7)	48.1 (41.5)	33.1 (42.8)
Sweden	16.0 (25.8)	12.3 (31.2)	1.0 (19.2)	1.7 (19.7)	14.1 (21.7)	12.3 (26.7)
Switzerland	12.7 (11.7)	13.2 (19.0)	16.7 ( 8.3)	- 0.5 ( 0.7)	9.9 ( 8.2)	11.9 (13.3)
Total EFTA	17.3 (26.6)	21.1 (30.9)	6.2 (13.8)	17.9 ( 9.3)	14.6 (17.9)	18.1 (24.6)



# EFTA trade in 1980

Table IIIa

(in millions : in national currencies)

	EFTA	EC	USA	Eastern Europe	Rest of world	World
<i>Imports (c.i.f.)</i>						
Austria (Sch.)	24,897	196,542	10,668	30,671	53,068	315,846
Finland (Mk.)	10,250	19,478	3,373	14,203	10,936	58,240
Iceland (Kr.)	102,286	211,331	45,046	53,407	68,085	480,155
Norway (Kr.)	20,096	40,109	6,706	1,824	15,008	83,743
Portugal (Esc.)	35,003	183,058	52,505	11,352	191,100	473,018
Sweden (Kr.)	22,698	69,587	10,289	6,846	31,912	141,332
Switzerland (Fr.)	4,214	40,777	4,105	2,379	9,384	60,859
<i>Exports (f.o.b.)</i>						
Austria (Sch.)	28,087	122,971	4,930	27,260	42,921	226,169
Finland (Mk.)	12,424	20,389	1,667	10,499	7,815	52,794
Iceland (Kr.)	67,632	169,479	96,213	39,599	73,029	445,952
Norway (Kr.)	11,535	64,878	2,729	1,313	10,877	91,332
Portugal (Esc.)	32,741	127,250	13,468	4,412	54,337	232,208
Sweden (Kr.)	27,049	64,058	6,996	5,057	27,617	130,777
Switzerland (Fr.)	4,538	24,919	3,552	1,780	14,819	49,608



# Percentage change from 1979

Table IIIb

	EFTA	EC	USA	Eastern Europe	Rest of World	World
<i>Imports (c.i.f.)</i>						
Austria (Sch.)	10.2	12.5	24.9	29.4	31.8	17.0
Finland (Mk.)	15.5	28.0	52.0	39.9	44.2	32.2
Iceland (Kr.)	54.3	56.1	136.9	44.9	101.5	64.8
Norway (Kr.)	11.3	22.5	34.1	— 9.2	27.9	20.5
Portugal (Esc.)	44.1	37.7	39.7	11.0	66.1	47.8
Sweden (Kr.)	15.6	10.8	15.9	— 9.6	36.2	15.5
Switzerland (Fr.)	20.5	21.2	34.6	26.1	41.2	24.9
<i>Exports (f.o.b.)</i>						
Austria (Sch.)	11.4	11.4	— 5.9	2.4	10.8	9.7
Finland (Mk.)	18.2	14.4	— 9.9	49.2	25.9	21.6
Iceland (Kr.)	77.9	55.7	23.5	75.4	135.0	60.2
Norway (Kr.)	12.0	48.6	— 1.0	5.5	6.9	34.1
Portugal (Esc.)	45.5	31.0	32.4	— 9.4	51.5	36.2
Sweden (Kr.)	14.4	10.8	— 0.1	0.4	12.7	10.8
Switzerland (Fr.)	13.5	14.1	18.7	0.2	10.5	12.7



# Percentage shares of imports in 1980

Table IVa

(with percentages for 1979 in brackets)

	EFTA	EC	USA	Eastern Europe	Rest of World	World
Austria	7.9 (8.4)	62.2 (64.8)	3.4 (3.2)	9.7 (8.8)	16.8 (14.9)	100.0
Finland	17.6 (20.1)	33.4 (34.6)	5.8 (5.1)	24.4 (23.0)	18.8 (17.2)	100.0
Iceland	21.3 (22.8)	44.0 (46.5)	9.9 (6.5)	11.1 (12.6)	14.2 (11.6)	100.0
Norway	24.0 (26.0)	47.9 (47.0)	8.0 (7.2)	2.2 (2.9)	17.9 (16.9)	100.0
Portugal	7.4 (7.6)	38.7 (41.5)	11.1 (11.7)	2.4 (3.2)	40.4 (35.9)	100.0
Sweden	16.1 (16.0)	49.2 (51.3)	7.3 (7.3)	4.8 (6.2)	20.6 (19.2)	100.0
Switzerland	6.9 (7.2)	67.0 (69.1)	6.7 (6.3)	3.9 (3.9)	15.4 (13.6)	100.0
Total EFTA	12.8 (13.5)	53.5 (55.6)	6.6 (6.3)	7.2 (7.2)	19.8 (17.4)	100.0

# Percentage shares of exports in 1980

Table IVb

(with percentages for 1979 in brackets)

	EFTA	EC	USA	Eastern Europe	Rest of world	World
Austria	12.4 (12.2)	54.4 (53.5)	2.2 (2.5)	12.0 (12.9)	19.0 (18.8)	100.0
Finland	23.5 (24.2)	38.6 (41.0)	3.2 (4.3)	19.9 (16.2)	14.8 (14.3)	100.0
Iceland	15.2 (13.7)	38.0 (38.6)	21.5 (28.0)	8.9 (8.1)	16.4 (11.6)	100.0
Norway	12.6 (15.1)	71.0 (63.9)	3.0 (4.1)	1.4 (1.8)	11.9 (15.1)	100.0
Portugal	14.1 (13.2)	54.8 (56.9)	5.8 (6.0)	1.9 (2.9)	23.4 (21.0)	100.0
Sweden	20.7 (20.0)	49.0 (49.0)	5.3 (5.9)	3.9 (4.3)	21.1 (20.8)	100.0
Switzerland	9.1 (9.1)	50.2 (49.6)	7.2 (6.9)	6.5 (4.0)	29.9 (30.4)	100.0
Total EFTA	15.3 (15.4)	52.5 (51.2)	4.8 (5.4)	6.5 (6.5)	20.8 (21.5)	100.0



# Intra-EFTA trade in 1980

Table Va

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

Importer	Austria	Finland	Iceland	Norway	Portugal	Sweden	Switzerland	EFTA
Exporter								
Austria	—	161.0	4.8	182.0	57.4	445.3	1,306.8	2,157.2
Finland	104.8	—	23.6	591.4	47.5	2,337.5	226.0	3,330.8
Iceland	0.9	28.5	—	15.7	44.1	19.7	32.1	141.0
Norway	77.1	299.6	75.7	—	38.4	1,708.5	135.7	2,335.0
Portugal	51.0	64.9	23.2	88.1	—	213.4	213.4	654.0
Sweden	426.0	1,943.4	68.1	3,030.3	222.0	—	704.8	6,394.6
Switzerland	1,355.8	237.1	9.0	256.1	239.2	611.7	—	2,709.0
EFTA	2,015.6	2,734.5	204.4	4,163.6	648.6	5,336.1	2,618.8	17,721.6

Table Vb

(Percentage change from 1979)

Importer	Austria	Finland	Iceland	Norway	Portugal	Sweden	Switzerland	EFTA
Exporter								
Austria	—	23.0	54.8	14.9	19.8	8.5	15.2	14.4
Finland	35.8	—	37.2	1.4	152.6	30.5	15.9	23.4
Iceland	50.0	80.4	—	2.6	58.6	2.9	14.6	30.8
Norway	18.4	22.2	24.1	—	−9.6	12.4	34.0	14.8
Portugal	42.9	33.0	..	27.7	—	24.4	62.5	42.2
Sweden	16.0	13.2	17.4	15.8	42.3	—	17.3	16.0
Switzerland	12.1	20.8	7.1	14.1	17.0	9.0	—	12.7
EFTA	14.8	16.2	35.3	13.1	30.4	19.3	19.5	17.3



# Appendix

## Ministerial meetings of the EFTA Councils

**Geneva, 10th and 11th November 1980**

### **Communiqué**

The EFTA Councils met at ministerial level in Geneva on 10th and 11th November under the Chairmanship of Mr. Rui de Almeida Mendes, the Portuguese Secretary of State for European Integration.

Ministers noted that the rate of economic growth and the level of employment had been relatively satisfactory in most EFTA countries this year. For the whole of 1980 the estimated average growth of gross national product in these countries was 3 1/2 per cent: more than two percentage points higher than the average expected for other countries in the OECD area.

International economic prospects, however, with continuing inflationary pressures and high and rising unemployment gave cause for serious concern. The present economic downturn in major OECD countries was already leading to stagnation or an outright decline in the volume of exports from EFTA countries. Ministers were concerned that EFTA countries with their comparatively small economies might have to carry a relatively high share of current account deficit. Accordingly, and with the aim of improving



the general economic situation, they stressed that, as inflation is brought under control in the OECD area, monetary and fiscal policies should, where necessary, be re-assessed. Ministers furthermore expressed their concern about the effects of developments in the energy field on the balance of payments situation and on medium-term economic growth.

Expressing serious concern over present protectionist pressures, which could escalate further in case of a prolonged economic downturn, ministers emphasized the need to resist protectionism in all its forms. They reaffirmed their commitment to liberal trade policies and the preservation of an open world trading system – keys to balanced and equitable growth – and urged all trading partners to use fully the existing multilateral framework to solve trade problems. It was essential to stand firmly by the OECD Trade Declaration and to ensure full implementation of the agreements reached in the Tokyo Round.

Having in mind the substantial benefits resulting from the European free trade system, ministers urged all partners to refrain from measures which might endanger its full realization. They discussed the temporary measures being taken within the European Community to cope with the present difficult situation in the steel sector. Recalling that the EFTA countries together constitute the main trading partner of the Community also in this field, they stressed the importance of maintaining free trade.

Ministers re-emphasized the importance of further developing economic cooperation between the EFTA countries and the European Community. In that context they hoped that early progress would be made with regard to concrete proposals put forward by the EFTA countries.

In view of the twentieth anniversary of the OECD, ministers expressed their high appreciation of the work done in this forum.

The next ministerial meeting will be held in Geneva on 15th May 1981.

## Geneva, 15th May 1981

### Communiqué

EFTA governments are determined to resist protectionist pressures and contribute to the strengthening of the free trade system in Western Europe and an open world trading system. This was



reaffirmed at the ministerial meeting of the EFTA Councils, held in Geneva under the chairmanship of Federal Councillor Fritz Honegger, Head of the Federal Department of Public Economy of Switzerland.

After discussing the increasing economic difficulties engendered by the current recession, ministers urged all governments to ensure that the liberalization of trade achieved in past years is maintained and not jeopardised by their responses to these difficulties. It is essential that the OECD Trade Declaration be adhered to strictly and that the results of the Multilateral Trade Negotiations be implemented fully. Ministers also stressed the urgency of agreement on a revised OECD consensus on export credits. Underlining the importance for all trading partners to avoid sectoral approaches but make full use of the existing multilateral framework, ministers stressed the need to maintain momentum in further improving the open trading system.

So far economic activity and employment in the EFTA area in general have developed less unfavourably than in many other industrialized countries. However, the expected decline in gross national product in the main client countries for EFTA exports, combined with continued inflationary pressures and budget and current account deficits in their own countries, gives rise to serious concern as to the levels of economic activity in the EFTA countries in the year ahead.

Stressing the importance of continued efforts to curb inflation, ministers underlined the need for measures to encourage productive investment and to strive towards non-inflationary growth in the medium term. EFTA ministers also called for greater efforts on the international level to avoid excessive and volatile interest rates.

The high and rising international level of unemployment was considered by ministers to be a grave economic and social problem. Ministers stressed the need for policies to restore economic growth and high levels of employment as well as for reducing inflation. A key element in such a strategy must be policies to further the structural adaptation. This had been also clearly expressed when the EFTA Consultative Committee, meeting in the presence of ministers immediately prior to the meeting of the EFTA Councils, discussed structural adaptation in industry in all its aspects as well as the future role of EFTA.

Ministers stressed the importance of still further developing economic and commercial cooperation with the European Community. As an essential contribution to the further consolidation and extension of the free trade achievements, ministers called for continued efforts to dismantle remaining non-tariff barriers and vigilance to ensure that no new barriers of this kind were created. Ministers welcomed the extension of the European free trade system



through the accession of Greece to the EC. This meant that trade between EFTA countries and Greece was now governed by the respective free trade agreements with the Community.

When discussing the activities of the Association, ministers noted particularly the sustained efforts to overcome technical barriers to trade, and the review of government aids given to industry in individual EFTA countries. It was also recalled that the EFTA Industrial Development Fund for Portugal is continuing to make a valuable contribution to the modernization and expansion of industry in Portugal.

Ministers noted the resignation as from 30th September 1981 of Mr. Charles Müller as Secretary-General of EFTA. They paid warm tribute to Mr. Müller, who was returning to the Swiss Federal Department of Foreign Affairs after six years with EFTA in his capacity as Secretary-General. He had made a very important contribution to the work of the Association and ministers wished him success in his future activities. They appointed Mr. Per Kleppe, Minister for Planning in the Norwegian government, as Secretary-General from 1st December 1981.

They appointed the Deputy Secretary-General, Mr. Magnus Vahlquist, to be Acting Secretary-General during the interim period and Mr. Norbert Faustenhammer, Deputy Head of the Permanent Austrian Delegation to EFTA, to become Deputy Secretary-General on 1st April 1982 when Mr. Vahlquist will return to the Swedish Foreign Service.

The next ministerial meeting will be held in Geneva on 26th and 27th November 1981.



## European Free Trade Association July 1980 – June 1981

### MEMBER COUNTRIES:

Austria Iceland Norway Portugal Sweden Switzerland

ASSOCIATE: Finland

### CHAIRMANSHIP OF THE EFTA COUNCILS

July 1980 – December 1980  
January 1981 – June 1981

Portugal  
Switzerland

### HEADS OF PERMANENT DELEGATIONS TO EFTA

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Finland:	P. Kaarlehto
Iceland:	H. Jónsson
Norway:	J. Cappelen
Portugal:	A. de Carvalho
Sweden:	H. Ewerlöf
Switzerland:	F. Blankart

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Budget Committee  
Committee of Origin and Customs Experts  
Committee of Trade Experts  
Committee of Members of Parliament of the EFTA countries  
Consultative Committee  
Economic Committee  
Economic Development Committee



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Published by the European Free Trade Association  
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