

1981-1982

Twenty-second
Annual Report
of the
European Free Trade
Association



Geneva, September 1982

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I. The year in EFTA: July 1981 to June 1982

Continuing efforts to help to reinforce the liberal world trading system and to preserve and extend the free trade in Western Europe characterized the co-operation of the seven EFTA countries in the twelve months to the end of June 1982.

These efforts were made both more difficult and more necessary by the near stagnation of world trade in 1980 and 1981. The stagnation sharpened the competition for markets. It increased the temptation of a number of governments to shield domestic industries in their home markets and to provide special assistance to boost their exports. Committed to the maintenance of a stable, open and multilateral system of international trade and to free trade in Europe, the EFTA countries and the Association took every opportunity to warn of the harmful economic consequences of a return to protectionism. The EFTA Councils, which kept a watch on developments in order to discourage protectionist pressures, helped to ensure that the EFTA countries continued to maintain a good free trade record.

Relations with the European Community (EC) remained a constant and central element in the discussions between the EFTA countries and in the work of the Association. The EC is the source of more than half of the combined imports of these countries and the destination of more than half of their combined exports. It is also their partner in free trade agreements which have removed almost all tariffs and quotas on trade in industrial products between the ten countries of the EC and the seven EFTA countries. These agreements are bilateral between the EC and each of the EFTA countries but identical in their main content. The direct contacts necessary to ensure that the agreements work satisfactorily and that other forms of economic co-operation with the EC are developed were conducted for the most part on a bilateral basis as in the past. But since the agreements amount in effect to a common removal of tariffs and quotas on industrial products, the seven EFTA countries regularly informed and consulted each other throughout the year on the functioning of the agreements, on methods of making them more effective and on progress in co-operation in other areas.

They also made common approaches to the EC on origin rules, trademark law and standards.

The agreements are in general working well. This was the conclusion of the bilateral joint committees which supervise their operation. Iceland was, however, an exception in pointing out that the development of its trade with the EC had become unsatisfactory. In the joint committees the EFTA countries kept up their efforts to have the origin rules in the agreements simplified, in the interest both of exporters and of Customs officials, and this objective was reiterated in ministerial communiqués and in direct approaches to the EC at various levels. The need to build on the achievement of tariff-free trade by removing other obstacles to trade was stressed by both sides in joint committee meetings. It found a specific and new expression in the declared interest of all EFTA countries to be associated with plans to overcome some potential technical barriers to trade by exchanging information on standardization projects. The interest of the EFTA countries in the possibilities of harmonizing some aspects of trademark law within Europe was also brought to the attention of the EC — another manifestation of the wish to avoid the emergence of new barriers to trade within the European free trade system. There were also informal bilateral exchanges of information with the Commission of the EC on the scope and purpose of the aids provided by government to industry.

Contacts with the EC were strengthened through meetings between delegations from EFTA's two advisory committees and their nearest counterparts in the EC. For the first time there was a meeting between a delegation from the Committee of Members of Parliament of the EFTA countries and one from the European Parliament. The meeting of the two delegations, in Geneva in November 1981, enabled the EFTA participants to give an account of current activities and issues in EFTA in general and of the work concerning non-tariff barriers to trade. The discussion brought out the common aim of strengthening co-operation in economic matters, and it was suggested that more specific questions on non-tariff barriers might be discussed in specialized groups.

A delegation from EFTA's other advisory body, the Consultative Committee, met a delegation from the Economic and Social Committee of the European Communities in Brussels in March 1982. This was the eighth meeting of its kind. The representatives of the various economic interest groups in the EFTA countries and in the EC who form the two committees concentrated on one theme, the employment situation in Europe. Discussion brought out customary differences of opinion between speakers from the various socio-economic groups but there was also a broad consensus on the seriousness of the employment situation and agreement that consultation between the two bodies could help in the search for solutions.

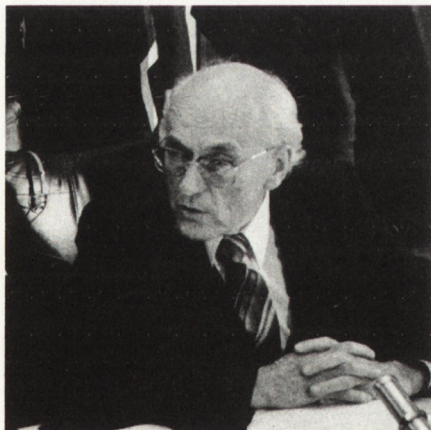
The implications for EFTA of the prospective accession of Portugal to the EC was one of the most important questions facing EFTA during

the year. To a large extent the free trade realized in EFTA will be preserved since the trade between the EFTA countries and Portugal, once this country is a member of the EC, will be subject to the bilateral agreements which have established free trade between the EFTA countries and the EC. The discussion in EFTA concentrated on the principles that might apply to transitional arrangements for the application of the free trade agreements to Portugal. The EFTA countries except Portugal agreed on a statement of principles for possible transitional arrangements, and a memorandum setting these out was presented to the Commission of the European Communities. Other relevant questions are still being examined within EFTA.

The principles that might apply to any transitional arrangements for the application of the free trade agreements to Spain, once it accedes to the EC, was another question considered during the year. A memorandum on the subject was presented to the Commission by the EFTA countries except Portugal. In the meantime trade between the EFTA countries and Spain is governed by the multilateral free trade agreement that came into effect in May 1980 and entailed tariff reductions — substantial on the EFTA side — two months later.

The general state of relations between the EFTA countries and the EC was examined again at a meeting in May 1982 of officials from the EFTA capitals.

The trade and economic co-operation between the EFTA countries and Yugoslavia was reviewed at the annual meeting of the Joint EFTA-Yugoslavia Committee. A proposal was made by the Yugoslav side that there should be a change in the institutional framework for the multilateral co-operation between Yugoslavia and the EFTA countries. A preliminary reaction was subsequently given to Yugoslavia by the EFTA side. The proposal was still under consideration at the end of the year under review.



Mr. Josef Staribacher, Austria's Minister for Trade, Commerce and Industry, presiding at the ministerial meeting of the EFTA Councils in Geneva in November 1981.

Consultations in EFTA also concerned the implications of the commitment of the EFTA countries to a liberal world trading system. In November 1981 the EFTA Councils at ministerial level welcomed the agreement that there should be a ministerial meeting in GATT to reinforce the common efforts to support and improve the multilateral trading system. At their meeting in June 1982 the EFTA ministers stressed the urgency of finding a comprehensive solution to the safeguard issue. The GATT ministerial meeting would also provide an opportunity further to improve trade relations between industrialized and developing countries for the benefit of all parties. Ministers expressed their wish that EFTA countries should continue to exchange views on these and other issues and to contribute in substance to the preparation of a successful GATT meeting.

II. Developments in EFTA

Tariffs and quotas

Tariffs

The only EFTA country that may still levy duty on imports of any industrial products from its partners in EFTA is Portugal. The deadline for the final abolition of its duties in relation to the other EFTA countries is the end of 1984.

Of Portugal's imports from the rest of EFTA only about 12 per cent remain liable to import duty, with the authorization of the Councils, on one of two grounds: some because equivalent products are being manufactured by industries newly established in Portugal and some because tariff cuts that were due on 31 December 1979 were postponed for three years. Portugal asked in November 1981 for a longer period of protection for infant industries and in March 1982 for authority to postpone for twelve months tariff cuts due at the end of 1982 and to bring in or increase duties on certain other products. In June 1982 it requested authority to apply duties on some new products that would also come under the infant industry rule. The need to develop Portuguese industry in order to prepare for the country's accession to the EC, taking into account the extent to which tariff protection had already been removed, was the main reason given by Portugal for the requests, which were examined in connection with the study of the consequences for EFTA of Portugal's accession to the EC. On 1 July 1982 the Councils agreed — subject to ratification where necessary — on an amendment to Annex G to the Stockholm Convention which would make it possible to add items to the list of products on which Portugal may apply duties in accordance with paragraph 6 ter of that Annex.¹ Other aspects of the Portuguese requests remained under consideration at that time.

¹ Decision of the Council No. 7 of 1982 and Decision of the Joint Council No. 3 of 1982.

Quotas

Quotas have been imposed on some consumer goods in Portugal since 1977 for balance of payments reasons. In 1981 the total value of the global quotas was increased by about 50 per cent and two items were removed from the list of goods subject to quota. The most recent Portuguese statistics indicate that 0.2 per cent of imports from the other EFTA countries are covered by the quotas.

Origin rules

EFTA's general proposals for a simplification of the origin rules — the basis for determining which goods are entitled to duty-free treatment both within EFTA and under the free trade agreements — remained unanswered by the EC Council of Ministers at the end of June 1982. The proposals were originally advanced by the EFTA countries in 1975 and a more limited version of them proposed by the EC Commission has been under study within the EC. At both ministerial meetings of the EFTA Councils during the year the ministers drew attention to the need for a positive reply in the near future since the origin rules have a direct bearing on day-to-day industrial and trading activities. They emphasized that this field had been identified both by the EFTA countries and by the Community and its Member States as an area suitable for further co-operation.

A different form of simplification came into effect on 1 October 1981 which is of relevance for manufacturers who previously had been obliged to keep physically separate stocks of materials that are identical but of different origin status if they wanted to claim EFTA (or FTA) tariff treatment for the finished products. The segregation of materials of different origin can now be done through accounting methods, once the producer has obtained authorization to do so. The Customs authorities have to be satisfied that there is a need to use accounting segregation (because of the cost or impracticability of using physical segregation), that the materials are identical and that the accounting system is capable of ensuring that no more products are given the status of EFTA (or FTA) origin than would have been if the materials had been physically segregated. Guidelines to this effect were approved in July 1981 by the EFTA Councils which agreed on the date from which they were to enter into force and decided that the rules should be reviewed a year later. The Councils noted that Portugal did not intend to apply accounting segregation for the time being for exports.

Two amendments to the origin rules were introduced during the year under review. One was a technical change in the sense that it brought the designation of "prepared enzymes" (ex 35.07) in Lists A and B to Annex B into agreement with the revised designation in the

Customs Co-operation Council Nomenclature.² The other clarified the sense of paragraph 2 of Article 8 of Annex B, making it clear that only small packages sent by individuals required no origin document.³

In September 1981 the Councils agreed that no EFTA country would be obliged to answer a request to check an origin document (EUR. 1 or EUR. 2) more than two years after the document had been issued.

The texts of the agreed interpretations of the origin rules in the Stockholm Convention and the free trade agreements were assembled in a single document by the Committee of Origin and Customs Experts and endorsed in June 1982 by the Councils. The Committee's proposal that the document should be included in the loose-leaf edition of the Stockholm Convention, for the convenience of traders and the national administrations, was accepted by the Councils.

Charges other than tariffs

Finnish import equalization tax

The Finnish import equalization tax is still applied. It covers products which, when produced in Finland, are affected by the application of the turnover tax to investment goods, raw materials and energy.

Icelandic import equalization tax

An import equalization tax is also still applied in Iceland to compensate for the cumulative effect of the sales tax levied at various stages of production on equivalent Icelandic products.

Icelandic import levy on confectionery, chocolates and biscuits

In February 1982 Iceland asked for authority to continue for a further year to impose a levy, though at progressively reduced rates, on imports of confectionery, chocolates and biscuits. The reasons given for the request were that more time was needed to implement plans for the recovery of the industry and that imports had increased substantially in the two previous years. The Councils agreed to allow the levy, which applies also to imports from the EC, to be prolonged until 28 February 1983.⁴

² Decision of the Council No. 8 of 1981 and Decision of the Joint Council No. 3 of 1981, adopted on 2 July 1981.

³ Decision of the Council No. 11 of 1981 and Decision of the Joint Council No. 4 of 1981, adopted on 17 September 1981.

⁴ Decision of the Council No. 1 of 1982 and Decision of the Joint Council No. 1 of 1982, adopted on 18 February 1982.

Agriculture and fish

Annual review of agricultural trade

A Secretariat report on agricultural trade in 1980 formed the basis for the annual review of the development of agricultural trade within EFTA. The review covers trade in those agricultural goods — all agricultural raw materials and some goods produced by processing those raw materials — which do not benefit from EFTA tariff treatment. The goods are listed in Parts II and III of Annex D to the Convention.

The statistics for 1980 show that EFTA's imports of these products from all sources amounted to \$9.4 billion or 6.9 per cent of all its imports. Exports of the same products were valued at \$2.6 billion or 2.3 per cent of all exports. As for intra-EFTA trade, imports of these agricultural goods came to \$393 million, equal to 2.2 per cent of all intra-EFTA imports. As in previous years, trade between Sweden and Norway was the main component in the intra-EFTA trade in these goods.

Almost a third of EFTA's imports of these agricultural products came from the EC, the biggest importers being Switzerland, Austria and Sweden, while as much as 46 per cent of the exports went to the EC, the biggest exporters being Switzerland, Austria and Portugal.

Processed agricultural products

No major difficulties arose during the year from the application by five EFTA countries of measures to offset differences between domestic and world market prices of agricultural raw materials. Price compensation measures are permitted under the Stockholm Convention in connection with a number of products that are made from agricultural raw materials. Some of the finished products are duty-free and therefore listed in Part I of Annex D. The Committee of Trade Experts continued to review the notifications which governments are obliged to make of any changes in the measures, mainly to ensure that no over-compensation takes place.

Austrian imports of yoghurt: agreement with Switzerland

An agreement in force between Austria and Switzerland since 1 March 1982 reduces by a flat rate the variable import equalization levy charged in Austria, under legislation on agricultural trade, on imports of fruit-flavoured yoghurt. In accordance with Article 23 of the Stockholm Convention the reduction applies to imports from any EFTA

country. The agreement limits the volume of imports entitled to the lower rate of levy to 3 per cent of Austrian production.

Switzerland-Iceland agreement on fish and agricultural products

Under an agreement signed by Switzerland and Iceland in November 1981 the import from Iceland into Switzerland of all saltwater fish not already duty-free within EFTA will be free of duty once the agreement is ratified. It also obliges Iceland within the framework of its agricultural policy to take account so far as possible of Swiss interests in the export of agricultural products from Switzerland. The tariff concessions in the agreement, which invokes EFTA's objectives in trade in agricultural and marine products, will apply to imports from all EFTA countries.

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.

Iceland: reintroduction of import deposits on furniture

In November 1981 Iceland asked the Councils for authority to reintroduce the import deposit scheme for furniture which had been in force for almost two years to the end of 1980. The reason given for the request was that the domestic industry was still experiencing serious difficulties because of the large increase in imports associated with the final removal of tariffs at the beginning of 1980. Other EFTA countries regretted that a reintroduction of the deposit scheme was considered necessary. The Councils nevertheless agreed in December to authorize the use of the scheme throughout the year 1982.

Iceland: import licences for fishing vessels

In September 1981 Iceland informed the Councils that licences would in future be necessary for the import of all kinds of fishing vessels into Iceland. This requirement was introduced as a means of conserving the fish stocks in Icelandic waters, not as a trade policy measure. The Icelandic fishing fleet was considered to be too big for

the optimum utilization of the fish stocks and consequently quotas had been introduced for the catching of certain species. A reduction in the size of the fishing fleet was also regarded as necessary. The Councils noted the Icelandic notification in November. One country, however, reserved the right to bring the matter up again because of a doubt whether the action of the Icelandic government was in conformity with the Stockholm Convention and because of fears about the trade effects.

Portugal: balance of payments measures

Import surcharges and quotas continued to be applied in Portugal for balance of payments reasons. A wide range of products is subject to a 10 per cent surcharge on imports, and a 60 per cent surcharge is also applied to a limited number of products. The latter covered just under 0.4 per cent of Portugal's imports from EFTA in 1980. Global import quotas remain in force for some consumer goods and for both unassembled and assembled cars.

Steel: surveillance measures

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

Textiles: voluntary export restraints

The export of textiles from Portugal to certain EFTA countries has in varying degrees been restricted by "voluntary restraint agreements". The matter had been raised in EFTA by Switzerland on the ground that the arrangements might be incompatible with the spirit and letter of the Stockholm Convention. At a meeting of the EFTA Councils in October 1981 the delegations concerned explained, against the multi-lateral background, the economic and political considerations which had led their countries to conclude such bilateral arrangements on trade in textiles. The Portuguese Delegation referred to Portugal's interest in exporting textiles — thirty per cent of the country's total exports — and to the legal aspects in EFTA, and declared that Portugal was ready to seek a reconciliation within EFTA of the interests involved. It was suggested that the matter might be further discussed after the completion of a proposed study of industrial developments in EFTA with special emphasis on the textile sector. Pointing out that a study of that kind would not settle the question of the compatibility of the export restraint arrangements with the Stockholm Convention, the

Swiss Delegation reserved its right to revert to the matter, as also did the Portuguese Delegation. The Austrian arrangement lapsed in November 1981 and the Norwegian arrangement on 30 June 1982.

Government aids

On 2 July 1981 the Councils noted a report from the Committee of Trade Experts which included a survey of the government aids to industry that had been notified by the EFTA governments and a discussion of these forms of aid in the light of EFTA's rules on the subject: Article 13 of, and Annex C to, the Stockholm Convention and the interpretation of the Article agreed in 1968. In particular the Councils noted the Committee's conclusions: that it had not found, in the measures notified, any which actually frustrated the benefits expected from the liberalization of trade within EFTA; that some Delegations did not rule out the possibility that some of the measures could have a negative effect on trade within EFTA especially if the cumulative effect of different aid measures were taken into account; and that other Delegations stressed that no negative effects of that kind had been felt.



Mr. Esko Rekola, Finland's Minister for Foreign Trade, ministerial Chairman of the Joint Council of EFTA and Finland, presiding at the March meeting of the Consultative Committee in Geneva.



Mr. Esko Ollila, Finland's Minister of Trade and Industry, presiding at the ministerial meeting of the Councils in Helsinki in June 1982 as Chairman of the Joint Council of EFTA and Finland. On his left, Mr. Paavo Rantanen, Ambassador and Head of the Finnish Permanent Delegation to EFTA, Chairman at official level of the Joint Council in the first half of 1982.

The Councils then reaffirmed the importance of the full observance and effective implementation of the agreement of 1968 — which required, among other things, an annual notification of changes in the aids provided — and added that the notification should also include a report on export credit aids given by governments. Recalling their agreement that co-operation between the EFTA governments concerning the introduction and application of aid measures was necessary and that government aids would be kept under review, the Councils consequently reaffirmed that the Secretariat should keep the information up to date at intervals of a year or whenever a special need for such enquiries was felt.

In December 1981 the Secretariat asked Delegations to provide the necessary information to up-date the survey to the end of that year. The Committee of Trade Experts was instructed by the Councils in June to take stock of the notifications received and to consider whether any of the new or modified measures actually frustrated the benefits expected from the realization of free trade within EFTA.

Non-tariff barriers to trade

EFTA continued to give priority to work on the removal of non-tariff barriers to trade as an essential complement to the removal of tariffs and quotas within the European free trade system.

On internal matters the Councils resumed their consideration of whether the agreements on non-tariff measures reached in the Tokyo Round of multilateral trade negotiations in GATT necessitated any consequential changes in EFTA's rules or practice. It had already been established that there were no major discrepancies and there was agreement 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. Most of the new GATT agreements have been in force since the beginning of 1980 so that the matter could be considered in the light of experience. Discussion by specialists within EFTA led to the conclusion, yet to be put to the Councils, that very few changes, if any, are needed in the EFTA rules and practice. The main question still to be examined by the Committee of Trade Experts is whether the list of export subsidies explicitly banned in EFTA (through Annex C to the Stockholm Convention) should be replaced by the broadly similar but not identical list annexed to the new GATT agreement on subsidies and countervailing measures.

In February 1982 the Committee of Trade Experts carried out its annual review of the EFTA internal notification procedure — the "INST" procedure — through which the member countries notify each other, in advance, of any plans to introduce new technical regulations

or amend old ones which could constitute a technical barrier to trade. The procedure was found to have worked well during the year. During the twelve months to the end of June 1982 the number of notifications received under the "INST" procedure was fifty-four, four more than in the previous twelve months.

The Committee also continued to discuss possible non-tariff barriers to trade within EFTA. This was done on the basis of notifications from EFTA countries in recent years indicating practices in other EFTA countries which might form obstacles to trade. In a number of cases bilateral consultations again led to the withdrawal of the notifications. A number of new instances were however also notified.

Developments within the EC in the field of technical barriers to trade continued to be kept under review. In 1980 the EC Commission had proposed that an exchange of information among its members on the work programmes of their national standards organizations might help to prevent some technical barriers to trade within the Community. The material thus provided would be studied in detail by the two European standards organizations CEN and CENELEC. In this way it would be possible to identify particular instances in which more than one EC country was interested in the formulation of a new standard because its trade could be affected by new requirements.

On the recommendation of the Committee of Trade Experts the Councils agreed that the EC should be informed of the interest of the EFTA countries in taking part in the exchange of information. All central standards organizations in EFTA countries belong to CEN and



Mr. Erik Nettel, Ambassador and Head of the Austrian Permanent Delegation to EFTA, was Chairman of the Councils at official level in the second half of 1981.

CENELEC and all the EFTA countries wish to ensure that no new trade barriers arise from differences in national standards among the countries in the free trade system. The views of the EFTA countries were conveyed to the Commission and to CEN and CENELEC.

In another step designed to overcome such technical barriers to trade the EFTA countries agreed to join with the EC Commission in giving joint mandates for the drawing up of European standards by CEN. The first three mandates were sent to CEN in May 1982 by the Commission and the Secretary-General of EFTA, requesting the writing of standards for the safety aspects of hydraulic lifts, portable ladders and mobile elevating work platforms.

Trademark law

The group of experts on trademark law, which had been considering the possibilities of harmonizing certain elements of trademark law on a European scale and studying the implications for EFTA of the proposed EC trademark system, resumed its meetings in 1981 after the publication of the EC Commission's proposals.

As proposed by the Commission, the system involves the creation of a Community trademark and a harmonization by stages of some important elements of national trademark law in the EC. The co-existence of Community and national legislation would allow manufacturers to obtain protection for their trademarks either in the EC as a whole or just in some of its countries. In a report to the EFTA Councils the expert group commented that the close commercial ties between the EFTA countries and the EC and their wish to avoid the creation of trade barriers between them made the proposed system a matter of importance for EFTA. They noted that individuals and firms in non-Community countries would be able to apply for Community trademarks as the proposals stood, a point of fundamental importance for industry in the EFTA countries. There were however some provisions which could have a discriminatory effect. They also stated that a degree of harmonization on a European scale would be of advantage to trademark owners in the EFTA countries as well as in the EC.

The report of the expert group was noted in November by the EFTA Councils which endorsed its recommendation that the EFTA countries should inform the Community of their interest in the possibilities of harmonizing some aspects of trademark law within Europe.

The EFTA Industrial Development Fund for Portugal

Financial assistance for investment projects planned by small and medium-sized enterprises operating in Portugal continued to be provided by the EFTA countries through the EFTA Industrial Development Fund for Portugal.

In the twelve months to the end of June 1982 it approved loans totalling 1,249.4 million Portuguese escudos, the equivalent of some

14.8 million US dollars, as part of the financing of 30 specific investment projects in Portugal. Once these projects are completed it is estimated that they will create 278 new jobs and give greater security of employment to the 3,117 persons already working in the companies concerned.

Since the Fund began to operate, on 1 February 1977, it has granted loans to a total of 7,325.3 million escudos (approximately 86.7 million dollars) towards the financing of 188 investment projects. The total investment in these projects amounts to 15,352.8 million escudos. The Fund, which may not normally put up the full cost of an investment, thus provided 47.7 per cent of the total.

The initial finance for the Fund consists of the 84,604,516 Special Drawing Rights — the equivalent of \$100 million at the time of the decision to establish the Fund — which the EFTA countries agreed to put up in five annual instalments. Up to the end of June 1982 the Fund's Executive Commission had called upon these contributions to a total of 59.4 million SDRs. Interest paid by firms on loans from the Fund, together with repayment of the loans, has become an increasingly important source of finance for the Fund, providing for more than half of the loans it paid out in its fifth year.

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 twice during the twelve months to the end of June 1982 and approved three loans to a total value of 553 million escudos in that period.

The Executive Commission in Portugal approved loans amounting to 696.4 million escudos in the twelve months to the end of June 1982. It is responsible for the administration of the Fund and for deciding on requests for loans not individually exceeding 1.2 million SDRs.

Consequences for EFTA of Portugal's accession to the EC

The whole range of questions concerning the relationship which Portugal would have with the other EFTA countries once it had become a member of the EC was discussed at four special meetings of the Deputy Heads of the Delegations of the EFTA countries in Geneva. Assisted by experts from the capitals, the Deputies produced a comprehensive report on their findings which they submitted to the Councils in April 1982.

The report's analysis started from the assumption that the trade between Portugal and the countries remaining in EFTA would be based on their free trade agreements with the EC. The report therefore gave

particular attention to differences in the coverage of the Stockholm Convention and the free trade agreements, and especially to the treatment of products that are duty-free in EFTA but not in trade with the EC. It touched briefly on some other differences between the provisions in the Stockholm Convention and the FTAs: on quantitative restrictions and on the rules relating to the purchasing practices of public undertakings and to the right of establishment of EFTA-based companies. The Portuguese requests for a longer period of protection for some industries were also considered by Deputies. Finally, the report dealt with legal questions concerned with the future operations of the EFTA Industrial Development Fund for Portugal which it was assumed would continue to be a source of investment funds for small and medium-sized enterprises in Portugal.

Another aspect discussed was the possibility of formulating principles for any transitional arrangements that might be necessary for the application of the free trade agreements. The discussions led to the preparation of a memorandum setting out such principles which was subsequently presented to the Commission of the EC by the EFTA countries except Portugal.

In May 1982 the Councils noted the report of the Deputies. The Councils instructed the Deputies to continue their study as negotiations were still continuing between Portugal and the EC on the terms of Portugal's accession and on its request for a longer period of protection for some industries. On the latter, see section on tariffs, page 11.

The Association with Finland

Meetings of the EFTA Council and of the Joint Council of EFTA and Finland continued to be held simultaneously. 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 meetings, all of them simultaneous, including two at ministerial level. The communiqués issued after the ministerial meetings are reproduced in the Appendix.

From 1 July to 31 December 1981 the chairmanship of both Councils was held by Austria. Iceland had the vice-chairmanship of the EFTA Council and Finland the vice-chairmanship of the Joint Council. From 1 January to 30 June 1982 Finland held the chairmanship of the Joint Council and presided at the simultaneous meetings. Iceland held the chairmanship of the EFTA Council and the vice-chairmanship of the Joint Council while Norway was vice-chairman of the EFTA Council.

The Economic Committee

The Economic Committee, whose members are mostly officials from the finance ministries and central banks in the EFTA countries, met twice during the year, in Geneva in November 1981 and in Lisbon in May 1982. Reports on its views on international economic and monetary developments and on economic trends in the individual EFTA countries formed part of the material for the meetings of the EFTA Councils at ministerial level that were held about two weeks after each of the Committee's meetings.

In its review of international developments, in November 1981, the Committee noted some positive signs that a recovery in economic activity in the OECD area as a whole might take place in the near future but it expected the upswing to be too weak to prevent a further rise in unemployment. On the state of balances of payments the Committee found that there had been a more rapid adjustment to the second oil price shock than had been expected, although this was in part due to cyclical factors. Inflation was still considered to be an important constraint on economic policy in a number of OECD countries since inflationary expectations were deeply entrenched. The Committee concluded that any relaxation of the fight against inflation could endanger the economic adjustments already achieved.

On developments in the EFTA countries the Committee observed that the cyclical downswing in the group was milder than in other European countries. Unemployment was still very low in most EFTA countries although it had risen in recent months. Balances of payments situations had improved more quickly than forecast in most EFTA countries but relatively high inflation rates had become a more important policy restraint.

A Secretariat study of the effects of the commodity composition of EFTA's exports on its exports of manufactures in the 1970s was discussed by the Committee in November. The study concluded that the EFTA countries had been fairly successful in adapting the structure of their industries to changes in foreign demand and had been able to increase market shares in some products. Difficulties particularly in shipbuilding had however restricted the growth of manufactured exports from several EFTA countries.

When the Committee met again, in May 1982, the expected international revival in economic activity had not yet started. Since the running down of stocks was coming to an end and the fall in oil and raw material prices resulted in increased real income, some cyclical revival of aggregate demand in the industrialized countries was likely to take place towards the end of the year, but considerable uncertainty remained about what might follow. A moderate recovery in economic activity would not prevent a further worsening of the employment situation in 1982. Recent OECD and IMF meetings had given no indication of changes in the economic policies of the big countries. In many countries, however, inflation rates had been brought down in the preceding months and the current account deficit of the OECD group of countries much reduced, although large imbalances were expected to persist within the OECD. The Committee thought that new investment might be encouraged and the recovery thus strengthened if governments aimed at a more balanced policy mix, easing the burden placed on monetary policy and allowing interest rates to fall. Labour market measures were regarded as important as a means of dealing with specific problems such as youth unemployment but several members of the Committee thought a more expansionary policy necessary for a sustained decrease in unemployment.

As is customary, economic developments in the individual EFTA countries came under special review. Austria, Iceland and Switzerland were the countries studied at the November meeting. In Lisbon the Portuguese economy was the subject of a detailed survey with particular attention to medium-term prospects. The medium-term growth prospects in Portugal were found to be overshadowed by the large current account deficit. The Committee thought that, although tight demand policies might be necessary in the short run, they should be accompanied by measures to strengthen the production potential of the economy, especially in energy and agriculture. The economies of Finland, Norway and Sweden were also examined at the May meeting.

Following that meeting there was an ad hoc informal meeting between experts from the EFTA countries and from the EC Commission at which the competitiveness of European industries was discussed.

Committee of Trade Experts

The Committee of Trade Experts met three times during the year. Its principal activities were in the field of non-tariff barriers to trade within EFTA and in relation to the EC and its member countries (see page 18). At two of its meetings it was assisted by experts in the field of standardization from the EFTA countries.

Continuing its work on national regulations for the marking and labelling of prepacked foodstuffs the Committee examined the lists of national regulations and a list of relevant regulations in the EC. The subject matter had been raised originally because of the possibility that regulations formulated in the interest of consumers might have the effect of restricting trade because of the way in which they are applied. Although some Delegations had argued that only specific problems should be examined in EFTA, in order not to duplicate work done elsewhere, the lists of national regulations were drawn up as a basis for further discussion, the procedure for which had not been defined by the end of the year under review.

The Committee also kept under review the national price compensation measures applied in connection with processed agricultural products (see page 14) and the implementation of the "INST" procedure (see page 18) and it was informed of developments in the reciprocal recognition schemes and conventions that 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 decisions and agreements on origin rules recorded on page 12 were taken on the advice of the Committee.

The Committee continued to consider whether national Customs administrations might be able to accept proof of the origin of goods when the evidence is transmitted not by post, as is at present necessary, but through the telecommunications network. All the EFTA countries were in principle ready to accept an administrative simplification of this kind.

The Committee also did the necessary preparatory work for the meetings of the bilateral Customs Committees with the EC and for the meeting of the Sub-Committee on Customs and Trade Matters of the EFTA-Spain Joint Committee so far as origin and customs matters are concerned.

The Consultative Committee

The representatives of industry, commerce, trade unions and other economic circles in the EFTA countries who form the Consultative

Committee held two meetings during the year under review. The first meeting was held in September 1981 in Salzburg under the chairmanship of Mr. Josef Staribacher, Austria's Federal Minister for Trade, Commerce and Industry. The second took place in two parts, the first in Geneva in March and the second in Helsinki in June 1982, the chairman in March being Mr. Esko Rekola, Finland's Minister for Foreign Trade, and in June Mr. Esko Ollila, Finland's Minister of Trade and Industry. Ministers from all the EFTA countries were present at the Helsinki session.

The debate on the international economic situation at the meeting in Salzburg brought out the difficult choices facing policy-makers as the continued low growth of output made the prospects for employment in the industrialized countries worse than before. The fight against inflation was no longer seen as the first priority: in many countries lowering the rate of unemployment was emerging as an equally important target of economic policy. Concern was expressed at the growth in protectionism that stemmed from the prolonged world-wide recession. The more frequent recourse to bilateral rather than multilateral arrangements to deal with trade problems was regarded by the Committee as a real danger for small, open economies such as those of the EFTA countries.

In place of the usual discussion of the recent activities of EFTA there was a personal assessment by the outgoing Secretary-General, Mr. Charles Müller, of developments within EFTA during his six years in that post. A slightly adapted version of his statement was published in issue No. 4/1981 of the EFTA Bulletin.

The Committee then had an exchange of views on the possibilities of liberalizing trade in services because of their growing importance in the world trading system. There was widespread support for the idea that work should be done to remove barriers in this area of trade. It was felt however that the services sector had not been adequately surveyed in individual countries and that it was therefore not yet possible to assess the complexity of the problems involved. A start could be made within individual countries by compiling national catalogues of services and of the problems involved. The EFTA countries should however support the work being done in the OECD. Any negotiations on the removal of barriers to trade in services might be conducted in the multilateral framework of the GATT.

A report on trade barriers and protectionism was presented to the Committee in September by its Economic and Social Sub-Committee. It dealt in particular with non-tariff barriers to trade and with means of resisting demands for protectionism. On technical barriers to trade the report contained several proposals for annulling any protectionist features. On other barriers to trade it stated that a constant and unremitting effort is required to see that the relevant international agreements are effective. Dealing with protectionist pressures it argued that an improvement in the economic environment would be a

major weapon against protectionism. It stressed that governments should create a favourable climate for the development of new industries and techniques. And it contended that governments should constantly survey trading conditions in order to oppose any unfair trading and thus maintain an open, liberal international trading system. Discussion in the Committee showed differences of opinion between the social partners and no common agreement on the report could be reached.

In Geneva in March 1982 the discussion on the international economic situation showed continuing gloom about the prospects for employment. More investment and higher productivity were considered by many speakers to be a prerequisite for the structural adaptation necessary. Many called for a more active stance in economic policies and a more active labour market policy. Trade union representatives again advocated a co-ordinated expansion of the economies of Western Europe.

At the close of that discussion the Secretary-General, Mr. Per Kleppe, stressed the link between trade developments and general economic policies. Free trade had brought considerable wealth to the EFTA countries but in current conditions it was increasingly difficult to convince people that free trade was not a threat to employment. EFTA should therefore analyse how the pressures for barriers to trade had arisen and how they could be avoided. A more thorough analysis, especially within the Committee, might make it possible to overcome the general feeling of helplessness in the face of growing unemployment.

The customary report by the Secretary-General on the recent activities of EFTA brought comments on many specific matters and showed a general agreement that the EFTA countries should work more together as a group particularly to counteract protectionist measures and other trade barriers.

In March 1982 there was a meeting — the eighth — between a delegation from the Consultative Committee and a delegation from the Economic and Social Committee of the European Communities. The employment situation in Europe was the main subject discussed. Views were exchanged on the measures taken or envisaged in the EFTA countries or the EC with the aim of reducing unemployment; on the effects on employment of the restructuring of industry in Europe; and on the repercussions of developments in international economic relations. Differences of opinion were naturally expressed on the appropriate remedies for the current unemployment but there was agreement that priority should be given to reducing it. Among the measures recommended were a revival of investment, action to reduce costs, and higher productivity. It was also thought that special attention should be given to adapting the training of young people to the economic opportunities likely to result from demographic and technological trends.

When the Committee met in Helsinki on 3 June in the presence of ministers it discussed two reports from an ad hoc group of its own members, one on the relationship between government aids and free trade, and the other on how the EFTA countries could co-operate to promote free trade and oppose protectionism in a world of low growth and high unemployment.

On the second, more general question the report argued that the EFTA governments needed to reinforce their efforts to defend the liberal trading system. They must attempt to create an economic environment which provides for non-inflationary expansion and full employment. They should attack the source of protectionist sentiment by facilitating structural adaptation and they should strengthen the rules governing international trade. It was also important that the general public should be made fully aware of the economic and social effects of restrictive trade policies.

The ad hoc group found that more should be done to enable the EFTA countries to understand each other's economic problems and to examine the possibilities for concerted action. Moreover there should be a greater effort in EFTA to reduce the distorting trade effects of charges other than tariffs, non-tariff barriers, and unfair competition.

The interdependence of the EFTA and Community countries ought to find expression, the group argued, in broad economic consultation and co-operation. The EFTA countries should also strengthen their co-operation in other appropriate forums, such as GATT and the OECD, with the aim of preventing protectionism. Within the OECD the common interests of the EFTA countries could be pursued on the basis of better co-ordination.

On government aids to industry the report listed a number of criteria to be applied in order to ensure that the aids are internationally acceptable and that they help rather than obstruct the aim of positive adjustment to changed economic circumstances. The government measures should be temporary and, whenever possible, based on a pre-set timetable for phasing them out. The action should be linked to plans to eliminate obsolete capacity and re-establish viable enterprises. The costs should be publicly known. Assistance to companies should provide an incentive for improving management, particularly by ensuring sufficient domestic and international competition. When the main objective is to support a specific region the assistance should not be limited to companies in financial difficulties.

The report invited the EFTA ministers to work for the abolition of export credit subsidies; to ensure the correct application of the EFTA rules on government aids; to co-ordinate efforts for an effective implementation of the GATT agreement on subsidies and countervailing duties; and to enter into close co-operation with the EC on questions concerning government aids.

Discussion in the Consultative Committee showed general agreement that the proposals in the two reports should be further examined. It was agreed at the ministerial meeting of the Councils in Helsinki on 4 June that the Councils at official level should consider the main points made in the Committee and prepare replies in time for the Committee's next meeting.

The Committee of Members of Parliament of the EFTA countries

There were three meetings during the year of the Committee of Members of Parliament of the EFTA countries, one in Tromsø (July 1981), one in Geneva (November 1981) and one in Basle (May 1982). At Tromsø Mr. Sverre Stray (Conservative, Norway) was elected chairman of the Committee and Dr. André Gautier (Liberal, Switzerland) vice-chairman. A new election was necessary at the Geneva meeting since Mr. Stray had ceased to be a member of parliament on becoming Norway's foreign minister: Dr. Gautier was elected chairman and Mrs. Jutta Zilliacus (Swedish People's Party, Finland) vice-chairman.

The holding of the first meeting in the north of Norway gave Committee members an opportunity to study at first hand the economic situation and prospects in that region. A report on Norway's economic policies confirmed that the main policy goals remained full employment, high and stable economic growth and a fair distribution of income. The goals had become more difficult to achieve in the 1970s but unemployment had been kept at a low level, the limiting of inflation rates had been relatively successful and there had been a steady growth in production although the reason for this was the increasing importance of oil in the Norwegian economy.

The impact of the newly industrializing countries (NICs) on the industry and trade of the EFTA countries was discussed on the basis of a report which showed that the newly industrializing countries accounted for only four per cent of all imports into the EFTA countries although some industries were particularly exposed to competition from these sources. One of the main conclusions reached in the discussion was that the EFTA countries should preserve a balance in their trade with the NICs by increasing exports and putting pressure on NICs to open their own protected markets.

At Tromsø the Committee also considered a report from a delegation of its members who had met representatives of the European Parliament in June. The delegation had found that there was an interest among Members of the European Parliament (MEPs) in

exchanging views on the working of the European free trade system and on related questions of mutual interest. Because of the importance of the economic relations between the EFTA countries and the EC the Committee concluded that a dialogue at parliamentary level would be of great value and decided to invite a delegation of MEPs to a meeting in Geneva. The invitation was accepted, and the final preparations for the joint session were made at the November meeting of the Committee. On that occasion there was also a review of EFTA activities in which prominence was given to relations with the EC as a continuing and important element in the co-operation within EFTA.

The joint meeting was held on 12 and 13 November 1981. There were two chairmen, Mr. Mario Zagari, vice-president of the European Parliament and Dr. Gautier, the Committee's chairman. As a basis for the discussions two reports were presented by members of the Committee, one on current activities and issues in EFTA and one on the removal of non-tariff barriers to trade as the essential complement to the virtually complete dismantling of tariffs and quotas within the European free trade system.

Both delegations expressed commitment to the free trade in Western Europe and to its development for the benefit of the countries and peoples of both EFTA and the EC. It was felt that members of parliament on both sides should have a key role in shaping future policies in this respect, and their meeting was therefore welcomed as a first step towards a broadening of contacts and a fuller exchange of information. The discussion brought out the common aim of strengthening co-operation in the economic field particularly because of the interdependence of the seventeen countries in the free trade system. Because of the great variety of matters mentioned in the course of the meeting as being of interest to both sides, it was suggested that specific matters might be dealt with in more specialized gatherings. There were also proposals for more adequate exchanges of information before decisions are taken in either the EFTA countries or the EC.

At the meeting in Basle the Committee discussed problems of the least developed regions in EFTA and the effects of regional policies on trade. The discussion showed that there were regional problems in all the EFTA countries and that the recession had made it more difficult to deal with them. The Committee therefore requested that consideration should be given to how the EFTA governments could co-operate in dealing with regional problems within the framework of the Stockholm Convention.

Reviewing the activities of EFTA in the previous six months the Committee paid particular attention to the increase in protectionist pressures in world trade. Several speakers called for greater efforts within EFTA to counteract protectionism and strengthen international agreements that liberalize trade. The Committee discussed the

problem of unemployment in this context and agreed to consider it more fully at its next meeting.

At the Basle meeting Mr. Fritz Honegger, President of the Swiss Confederation and Minister of Economy, gave an account of economic developments in his country. He stressed that the favourable development of the Swiss economy was mainly due to the government's policy of not interfering in micro-economic activities and to the ability of Swiss industry to adapt to changing market conditions without government aid. Another decisive element was the good relationship between employers and employees.

Information activities

Following a review of EFTA's information activities several changes were put into effect from the beginning of 1982. The EFTA Bulletin was turned into a quarterly publication. The reduction in the number of issues was intended to permit a greater concentration on more reflective articles on major current questions of trade policy and economic policy. EFTA activities were to be more fully covered by news items in the EFTA Reporter which was to appear more frequently and was also to make greater use of the research work done in the Secretariat on economic and other matters.

Relations between the EFTA countries and Yugoslavia were the subject of a special section in Bulletin No. 2 of 1982 because of the interest of the EFTA countries and Yugoslavia in promoting co-operation with each other.

"EFTA Trade 1979-1980" was published in April 1982. It covers two years and is the latest in the series of annual trade studies. But the presentation was completely new in content and format. For the first time it included separate tables on trade with Japan, Spain and Yugoslavia because of the increasing importance of Japan in EFTA trade and the particular relationship between EFTA and the other two countries. It also gave more detail on trade with the developing countries.

A new edition of the English-French paperback edition of the Stockholm Convention, including all amendments up to 1 February 1982, was published in June.

For the second year running scholarships were awarded by EFTA for three post-graduate research projects. The winners were selected from a total of seventeen applications for post-graduate scholarships for research into the activities of EFTA or European trade and trade policy.

Administration and Finance

New Secretary-General and Deputy Secretary-General

As decided by the Councils at ministerial level in May 1981, Mr. Per Kleppe took up the post of Secretary-General of EFTA on 1 December 1981 and Mr. Norbert Faustenhammer the post of Deputy Secretary-General on 1 April 1982. Mr. Kleppe succeeded Mr. Charles Müller who was Secretary-General for almost six years up to 30 September 1981. Mr. Magnus Vahlquist, who was Deputy Secretary-General at the beginning of the year, was Acting Secretary-General for the two months until Mr. Kleppe's arrival. Mr. Kleppe was Minister of Planning in the Norwegian government at the time of his appointment. Mr. Faustenhammer was Deputy Head of the Austrian Permanent Delegation to EFTA.



Mr. Per Kleppe



Mr. Norbert Faustenhammer

The Secretariat

At the end of June 1982 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 1981-1982 was 9,932,167 Swiss francs. For the financial year 1982-1983, which began on 1 July 1982, the budget was fixed at S.Frs. 10,788,942 gross which after the deduction of income estimated at S.Frs. 474,000, leaves a net sum of S.Frs. 10,314,942 to be financed by contributions from the EFTA States. The increase in the net budget is 3.85 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 1981-1982 and 1982-1983 was, in percentages, as follows:

	1981-1982	1982-1983
Sweden	28.24	27.79
Switzerland	26.56	26.56
Austria	16.34	16.64
Norway	11.76	11.91
Finland	10.38	10.53
Portugal	5.19	5.04
Iceland	1.53	1.53

III. External Relations

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

Given the scale and the variety of the economic links which the EFTA countries have with the European Community there was an almost continuous process of consultation on matters relating to the free trade agreements (FTAs) between the EFTA countries and the EC and to the possibilities of extending the range of co-operation between individual EFTA countries and the Community. Because of the prospective enlargement of the EC particular attention was given to the implications for EFTA of the accession to the EC of Portugal, a founder member of EFTA. The question of transitional arrangements for the application of the FTAs to Spain, with which the EFTA countries have had a multilateral free trade agreement since 1980, was also considered. There were consultations in the attempt to find ways of increasing the co-operation between the EFTA countries and Yugoslavia. Finally, there were informal discussions within the EFTA framework in advance of meetings of some other international organizations when matters of economic interest to the EFTA countries were on the agenda.

Relations with the European Community

The EFTA countries as a group and the European Community remained each other's most important trading partner. If intra-Community trade is excluded, EFTA was the market for almost a quarter (23.1 per cent) of all the EC's exports in 1981. If, similarly, intra-EFTA trade is excluded three-fifths (59.4 per cent) of the combined exports of the EFTA countries went to the EC in the same year. In both cases the proportions were a little less than the year before. EFTA continued to account for almost 6 per cent of world trade.

During the year there were two rounds of meetings of most of the bilateral joint committees which administer the free trade agreements. In the case of Norway one of these meetings was replaced by a meeting at political level with the Norwegian delegation headed by a minister. A similar meeting at political level between Sweden and the EC was due to take place in July 1982. The agreements were found to be working satisfactorily and to have contributed to the expansion of trade within the European free trade system. Iceland, however, drew attention to the fact that its sales to the EC had declined in 1981, partly because of the general recession and partly because of EC problems in the fishing sector. The EFTA countries again recalled their interest in obtaining as early as possible a simplification of the origin rules in the agreements and in making progress in the removal of non-tariff barriers to trade between the seventeen countries.

The interest of the EFTA countries in expanding their relations with the EC in economic matters outside the free trade agreements was prominent in the statements made by the EFTA delegations in the joint committee meetings. Most of the EFTA countries explicitly mentioned the importance of overcoming technical barriers to trade. Their interest in taking part in a proposed system (see page 19) for the exchange of information on standardization programmes between the EC countries, as a means of preventing the emergence of new technical barriers to trade, was also brought to the attention of the Community.



Dr. André Gautier, Chairman of the Committee of Members of Parliament of the EFTA Countries, and on his left Mr. Mario Zagari, Vice-President of the European Parliament, at the meeting in November 1981 of delegations from the two bodies.

The range of contacts with the EC was extended when a delegation from the Committee of Members of Parliament of the EFTA countries met a delegation from the European Parliament in Geneva in November 1981. A brief report on this first working meeting between delegations from the two bodies is given above in the section on the Committee (page 29). The two-day meeting, which was welcomed by both delegations as a first step towards an increase in contacts and a more extensive exchange of information, showed that there were many aspects of the relations between the EFTA countries and the EC which members of parliament on both sides were keen to discuss more fully on future occasions.

In March 1982 there was a meeting in Brussels between a delegation from EFTA's Consultative Committee and one from the Economic and Social Committee of the European Communities (see page 27). This was the eighth time they had met. On this occasion the main theme was the employment situation in Europe. Although there were considerable differences in the situation in the EFTA countries and the EC the speakers concurred that consultations between the two groups of countries could be useful in the search for solutions.

Representatives of the EFTA Secretariat and of the services of the Commission of the EC met again, in Brussels in May 1982, to exchange information on recent developments within EFTA and the EC. Information on the current economic outlook in Europe was exchanged at a meeting of economists from the Secretariat and the Commission in Brussels in February 1982.

Relations with Spain

Preparations for the next meeting of the EFTA-Spain Joint Committee, to be held in July 1982, were one of the main themes of a meeting in November 1981 of the Sub-Committee on Customs and Trade Matters.

The Sub-Committee reviewed recent developments in the trade between the EFTA countries and Spain, which has been governed since May 1980 by a multilateral free trade agreement between the eight countries. It also discussed various ways in which the Joint Committee might carry out the first annual review of the agreement and agreed on the procedure for the collection of the relevant trade statistics. It had already been informally agreed in the Joint Committee that the annual review would provide an element for the comprehensive examination of the agreement which has to be undertaken by the Joint Committee in 1982 with a view to achieving substantial progress in the further elimination of obstacles to trade. The Sub-Committee also discussed the preparation of the annual review of trade in fish and fishery products and considered a number of technical aspects of the agreement.

Since Spain was negotiating terms for its accession to the EC the EFTA countries considered the question of the principles that might govern any transitional arrangements for the application of their free trade agreements with the EC to trade with Spain. A memorandum setting out the principles was given to the Community by the six EFTA countries which have not applied for EC membership.

Relations with Yugoslavia

The Joint EFTA-Yugoslavia Committee, meeting in Geneva in October 1981, reviewed the development of trade between the EFTA countries and Yugoslavia. The basis for the general review was a report from an ad hoc group set up to find practical ways of increasing this trade. From the report the Committee noted that Yugoslavia's exports to the EFTA countries covered only one-third of its imports from EFTA in recent years and that the share of the EFTA countries in Yugoslavia's trade was diminishing. The common view was that the resulting trade deficit should be reduced by increasing Yugoslavia's exports. To this end the ad hoc group recommended some practical means of achieving this: the removal of obstacles to trade, improvements in marketing, better information on laws and regulations governing trade, and efforts to increase the utilization by Yugoslav exporters of the tariff preferences given them by five EFTA countries under the Generalized System of Preferences (GSP). After noting the group's recommendations the Committee agreed to instruct the Secretariat to disseminate information relevant to economic co-operation between the EFTA countries and Yugoslavia and to assemble statistics on the use actually made of the GSP preferences.

The Yugoslav delegation in the Joint Committee considered that more needed to be done to redress the imbalance in trade and proposed that there should be a change in the institutional framework for the trade and economic co-operation between Yugoslavia and the EFTA countries. A reaction from the EFTA side to this proposal was given to the Yugoslav Ambassador in Geneva in March 1982.

An interim report from the group of legal experts appointed in 1980 to draft model contracts for industrial co-operation was discussed by the Joint Committee. The experts had been given the task of formulating model contracts which could serve as guidelines for enterprises in the EFTA countries and in Yugoslavia when negotiating the terms of co-operative ventures. Consideration of the variety of situations in which co-operation might be planned and of the complexity of Yugoslav law led the experts to propose a different procedure. On any matters on which it turned out to be impossible to formulate model clauses the group should aim to give an account of the content and application of the relevant provisions of Yugoslav law. The proposal was endorsed by the Joint Committee and when the group met again

at the end of June it was able to reach agreement on a report dealing with several kinds of industrial co-operation. The report will be considered by the Joint Committee at its meeting in autumn 1982.

Reports written to assist the authorities in Montenegro in developing its tourist industry were given to the Yugoslav delegation at the 1981 meeting of the Joint Committee. The reports, financed by EFTA, consist of an evaluation of Montenegro's potential for winter and summer mountain tourism, written by experts from Austria and Switzerland, a study on the development of consumer demand in Nordic countries in relation to the specific features of mountain tourism in Montenegro, prepared by Norwegian experts, and an adapted model for the cost-benefit analysis of tourist projects, contributed by Finland and Sweden.

Relations with international organizations

The EFTA countries continued to use the EFTA framework for consultations on matters of interest that were under discussion in other international organizations concerned with the development of world trade. These included the General Agreement on Tariffs and Trade (GATT), particularly in connection with the preparations for the GATT ministerial meeting to be held in November 1982, and the Organisation for Economic Co-operation and Development (OECD). In connection with GATT and OECD meetings there were meetings of the EFTA countries for exchanges of information on the issues to be discussed. The EFTA Secretariat attended meetings of a number of relevant bodies and committees in GATT and OECD.

Mr. Josef Staribacher, Austria's Federal Minister of Trade and Industry and chairman at the time of the EFTA Councils at ministerial level, attended a meeting in November 1981 of the Parliamentary Assembly of the Council of Europe for the biennial debate on EFTA affairs. On that occasion the Parliamentary Assembly adopted a resolution in which, among other things, it invited the governments of the EFTA countries to take firm measures to deal with adverse economic trends which threaten the basis of free trade in Europe, to establish closer links and improve co-ordination with the European Communities on all economic matters, and to devote particular attention to eliminating all barriers, tariff and non-tariff, to trade and to simplifying origin rules within the European free trade system.

Progress reports on the activities of EFTA were presented to the Committee of Ministers of the Council of Europe by the Austrian Federal Minister for Foreign Affairs, Mr. Willibald Pahr, in November 1981, and by the Norwegian Minister for Foreign Affairs, Mr. Sverre Stray, in April 1982.

EFTA was represented as an observer at the two meetings of the Administrative Council of the European Patent Organization (EPO) held

during the year. The European Patent Convention has been ratified by eleven States, including Austria, Liechtenstein, Sweden and Switzerland from the EFTA area, and provides for the granting of European patents which protect the rights of an inventor in as many member countries of the EPO as he requires.

As an observer EFTA was also represented at the November 1981 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).

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, including the general assembly of the European standards organization CEN in April 1982 and a meeting of CEN's technical liaison committee in November 1981.

The fourth triennial Statutory Congress of the European Trade Union Confederation in The Hague in April 1982 was attended by the current chairman of the Joint Council of EFTA and Finland, Mr. Esko Rekola, Finland's Minister for Foreign Trade, and by Mr. Per Kleppe, EFTA's Secretary-General.

IV. International co-operation initiated by EFTA to remove technical barriers to trade

A number of international arrangements intended to overcome technical barriers to trade were originally worked out within EFTA but are independent of it. They deal principally with obstacles that may arise when national authorities prescribe tests or inspections to ensure that particular categories of products fulfil national requirements. Since EFTA and the EFTA countries maintain their interest in the effectiveness of these arrangements as contributions to the liberalization 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 that have already been tested or inspected by a recognized institution in another of the countries covered by the scheme in question. The participants in most of the schemes include national authorities not only from the EFTA countries but also from others including some 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. In May 1982 representatives of these authorities agreed that the scheme had continued to work well.

No difficulties were reported in the working of the scheme relating to *ships' equipment* when the participating authorities met in September 1981. On that occasion the representatives of these authorities continued their work of drawing up common requirements

for various items of ships' equipment. These are not international standards but they simplify the application of the scheme by expressing the features that are common to the national requirements of the countries participating: Denmark, Finland, the Federal Republic of Germany, Iceland, the Netherlands, Norway, Portugal, Sweden, the United Kingdom and Yugoslavia.

In April 1982 there was a meeting of the approval bodies that apply the scheme relating to *gas appliances*. This was the first meeting since the participants decided to meet only every other year because of the limited use being made of the scheme. They found that there had been a slight increase in the number of licences granted under it and agreed to continue to prepare annual reports on the working of the scheme but to meet only at two-year intervals. The scheme is in force in Austria, Denmark, Finland, Iceland, Italy, Norway, Portugal, Sweden, Switzerland and the United Kingdom.

The authorities participating in the scheme relating to *agricultural machines and tractors* expressed general satisfaction with the working of the scheme when they met in November 1981. 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.

At the end of June 1982 the authority responsible in Sweden for the approval of *lifting appliances* asked to participate in the scheme for these appliances, which was in force in Austria, Finland, Iceland, Norway and Switzerland. In order to take account of the situation in Sweden where some of the functions attributed in other countries to the participating authorities are delegated to a testing institution the wording of the scheme was amended during the year. The Swedish authority will now participate in the scheme from the end of September 1982, three months after the receipt of its request.

Representatives of the approval bodies participating in the scheme relating to *heating equipment using liquid fuel* noted in June 1982 that there had been no increase in the use of the scheme, which is in force in all EFTA countries. Trade in the appliances continued to be slack. The representatives nevertheless decided that a greater use of the scheme would be encouraged if, as in 1981, their meetings were held at institutions responsible for testing the appliances.

There were meetings in November 1981 and May 1982 of the committee established under the scheme for the reciprocal recognition of *evaluation reports on pharmaceutical products* as a means of simplifying the process of obtaining the registration of new pharmaceutical products in more than one country. The scheme has been in force since June 1979 in five countries: Austria, Finland, Norway, Sweden and Switzerland. It makes it possible for the registration authority in one of these countries to obtain, from its counterpart in another,

reports in which the latter gives its evaluation of the tests and scientific documentation provided by the manufacturer when successfully requesting registration. The authority which then receives the report can decide whether or not to accept, wholly or in part, the evaluation contained in the report, thus shortening the procedure for authorizing the marketing of the product in its country. The committee decided in May to discuss in detail the content and form of three evaluation reports that had been exchanged under the scheme, with the aim of drawing up guidelines for preparing evaluation reports in the future.

Pharmaceutical Inspection Convention

There were two meetings during the year of the Committee of Officials which has the task of ensuring that the Pharmaceutical Inspection Convention works effectively and is applied in a uniform way.

The Convention applies to any medicine or similar product, intended for human consumption, which is subject to control by health legislation. It enables the Convention countries to exchange, on the basis of inspections, such information as is necessary for the health authority in an importing country to be able to recognize inspections carried out in the country where the pharmaceutical products concerned are manufactured.

In May Romania acceded to the Convention, the thirteenth country to do so. A fourteenth country, the Federal Republic of Germany, is expected to join in the near future. At the end of June 1982 the Convention was in force in Austria, Denmark, Finland, Hungary, Iceland, Ireland, Liechtenstein, Norway, Portugal, Romania, Sweden, Switzerland and the United Kingdom.

The Committee of Officials approved a revised text of "Guidelines for the manufacture of sterile products". It then embarked on an updating of "Basic standards of good manufacturing practice for pharmaceutical products" in the light of the progress made in medical and pharmaceutical sciences and in manufacturing techniques in the ten years since the basic standards were first formulated. The basic standards serve as a common basis of reference for the preparation of reports on inspections.

As part of the continuing programme for training national inspectors in the application of the Convention a seminar on "validation" was held in Dublin in June. The Committee also accepted a proposal that there should be a seminar in 1983 in Portugal, the subject being "good manufacturing practices applied in the packaging and labelling of pharmaceutical products".

Hallmarking Convention

About 720,000 articles of precious metals were marked with the common control marks of the Hallmarking Convention in 1981. This was slightly less than in the previous year. The Standing Committee which supervises the operation of the Convention took the view that, considering the drop in the number of articles given national hallmarks, the use on this scale of the common control marks indicated that the Convention was working satisfactorily. The common hallmarks are applied to indicate that the articles — of gold, silver or platinum — meet the standards of this international convention which at present is in force in Austria, Finland, Sweden, Switzerland and the United Kingdom.

The Standing Committee, which met once during the year under review, continued its work on the co-ordination of the practices used in the five countries for assaying and marking the various kinds of precious metals.

V. EFTA Trade in 1981

World trade stagnated in volume in 1981 after rising by only one per cent in the previous year. The main reason was a reduction in the trade in oil after the second oil price shock of 1979-1980. If crude oil is excluded from the statistics the volume of world trade grew by 2½ per cent in 1981, according to GATT estimates, compared with 4½ per cent in 1980.

In dollar terms there was a fall of 1 per cent in the value of world trade, the first year-on-year decline since 1958. The sharp appreciation of the dollar in relation to the other major currencies provides the main explanation for the reduction in the value of world trade.

Preliminary estimates indicate that the exports of the EFTA countries rose in volume by nearly 3 per cent, with above-average increases for Austria, Switzerland and Finland. Imports into the EFTA countries are estimated to have fallen by about 1½ per cent, reductions in the volume of imports into Finland, Sweden and Austria more than offsetting the increase in imports into the other four countries. Because of the appreciation of the dollar the trade statistics of the EFTA countries suggest a poorer performance when they are expressed in dollars: a fall of 6.8 per cent in the combined value of exports and of 11.6 in the combined value of imports. The trade deficit of the EFTA countries was cut from \$20.8 billion in 1980 to \$12.8 billion in 1981.

Except where otherwise stated, the statistics given in the text that follows are based on the dollar value of trade in 1981. For comparison's sake the import and export figures are given in national currencies in Table III.

Trade balances

After rising substantially in the previous two years the combined trade deficit of the EFTA countries was reduced from \$20.8 billion to \$12.8 billion in 1981.

Norway was the only EFTA country to produce a surplus — for the second year running. The surplus, which rose from \$1.5 billion to \$2.3 billion, reflects the still growing importance of oil and gas in the Norwegian economy. Portugal and Iceland both had larger deficits in 1981 than in 1980. The other EFTA countries achieved substantial reductions in the size of their deficits.

A regional analysis of the combined deficit shows that once again trade with the EC accounted for the major part of the total even though the deficit was reduced from \$11.9 billion in 1980 to \$7.7 billion in 1981. There was also a deficit of \$3.4 billion on trade with the USA, of \$3.2 billion on trade with Japan and of \$1.7 billion on trade with Eastern Europe.

Main features of EFTA trade in 1981

The combined dollar value of the exports of the EFTA countries fell by 6.8 per cent to \$108.2 billion in 1981, the equivalent of almost 6 per cent of world trade. Imports showed the sharper drop of 11.6 per cent to a total of \$121 billion.

For all EFTA countries there were declines in the dollar value of their exports, the largest being that of Portugal (10.7 per cent), the smallest that of Finland (1.3 per cent). There were increases in the value of imports into Portugal and Iceland but decreases for all the other EFTA countries, the decreases ranging from 13½ to 16 per cent for Austria, Sweden and Switzerland.

Trade within the European free trade system

Almost 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 totalled \$70.8 billion in 1981, a fall in dollar value of 10 per cent compared with 1980.

As a group the EFTA countries remained the most important trading partner of the EC. They accounted for 23.1 per cent of the external exports of the EC, a smaller proportion than in 1980. Their share of the imports of the EC, when intra-EC trade is excluded, came to close to 18.0 per cent as in the previous year.

Intra-EFTA trade

Intra-EFTA trade, measured by exports and in dollars, fell by 10 per cent to a total of \$16 billion in 1981. The dollar value of exports was lower than a year earlier for all EFTA countries except Iceland. All

except Finland reported that their sales to their partners in EFTA had increased when expressed in the national currencies.

Sweden again provided more than a third of intra-EFTA exports. Its sales to its partners, measured in dollars, fell by less than the EFTA average.

EFTA trade with the EC

The value of exports from the EFTA countries to the EC fell by 11 per cent to \$54.8 billion in 1981 and their imports from the EC went down by 15 per cent to \$62.5 billion.

Norway was the EFTA country whose sales, in dollar value, showed the smallest drop (4.3 per cent) in exports to the EC. On the import side, Switzerland remained the largest market in EFTA for the EC and continued to account for nearly one-third of EC deliveries, although its imports in 1981 dropped particularly sharply in dollar value. Its deficit on trade with the EC dropped from \$9.3 billion to \$7 billion.

EFTA trade with the USA

The EFTA countries increased their trade with the USA in 1981, their imports rising by 2.1 per cent to \$9.3 billion and their exports by 3.9 per cent to \$5.9 billion.

Export statistics show that Norway was the EFTA country with the largest increase (22 per cent) in its sales to the USA, Finland with an increase of 15.8 per cent coming in second place. On the import side the biggest increases were in the value of deliveries to Finland (17.6 per cent) and to Portugal (14.9 per cent).

EFTA trade with Japan

The statistics show that EFTA imports from Japan rose by 13.3 per cent to \$4.7 billion or 3.9 per cent of all imports into EFTA in 1981. Exports from EFTA to Japan fell by 3.1 per cent to \$1.5 billion in the same year. Switzerland accounted for a quarter of the imports from Japan (\$1.2 billion) and for half of the exports (\$0.7 billion).

EFTA trade with Eastern Europe

As a group the EFTA countries increased their exports to Eastern Europe by 2.5 per cent to \$7.8 billion but the breakdown shows that Finland was the only one whose exports increased (by as much as 31.3 per cent) in value. The result was to raise the share of Finland's

exports going to Eastern Europe from just under 20 per cent of all its exports in 1980 to 26.4 per cent in 1981.

EFTA trade with the rest of the world

About a fifth of EFTA's exports and a sixth of its imports arise from trade with regions or countries not already mentioned. Exports to the rest of the world rose by 1.1 per cent to a total of \$22.3 billion in 1981. Imports from the rest of the world, which in the previous year had grown substantially because of the rise in oil prices, fell by 15 per cent to a total of \$19.3 billion.

Table I

Trade balances of the EFTA countries (in million US dollars)

	1975	1976	1977	1978	1979	1980	1981
Austria	- 1,874	- 3,016	- 4,421	- 3,841	- 4,759	- 6,887	- 5,195
Finland	- 2,115	- 1,051	+ 58	+ 70	- 158	- 1,460	- 220
Iceland	- 179	- 66	- 96	- 30	- 37	- 71	- 131
Norway	- 2,479	- 3,190	- 4,162	- 1,383	- 274	+ 1,537	+ 2,307
Portugal	- 1,892	- 2,404	- 2,932	- 2,730	- 3,057	- 4,667	- 5,602
Sweden	- 395	- 697	- 1,031	+ 1,233	- 1,006	- 2,496	- 305
Switzerland	- 345	+ 73	- 361	- 291	- 2,830	- 6,718	- 3,702
EFTA	- 9,279	- 10,351	- 12,945	- 6,341	- 12,121	- 20,762	- 12,848

Table II

EFTA trade in 1981: in dollars

	EFTA	EC	USA	Japan	Eastern Europe	Rest of world	World
<i>Imports c.i.f.</i>							(in millions)
Austria	1,593.0	12,376.8	859.7	575.2	2,496.0	3,102.3	21,003.0
Finland	2,444.8	4,614.6	1,067.4	512.9	3,767.2	1,789.8	14,196.7
Iceland	248.3	460.3	80.5	46.6	96.7	103.7	1,036.1
Norway	3,758.6	7,231.9	1,441.0	1,020.1	397.1	1,771.7	15,620.4
Portugal	725.9	3,703.6	1,168.0	338.5	274.9	3,533.2	9,744.1
Sweden	4,846.0	14,016.8	2,376.7	1,050.4	1,276.3	5,281.9	28,848.1
Switzerland	2,153.4	20,083.8	2,288.4	1,169.9	1,227.1	3,672.1	30,594.7
EFTA	15,770.0	62,487.8	9,281.7	4,713.6	9,535.3	19,254.7	121,043.1
<i>Exports f.o.b.</i>							(in millions)
Austria	1,909.4	8,352.5	409.2	136.2	1,804.1	3,196.4	15,807.8
Finland	2,860.7	4,920.4	518.2	119.4	3,696.8	1,861.1	13,976.6
Iceland	159.7	283.4	188.4	15.1	71.8	186.4	904.8
Norway	2,251.4	12,655.8	674.0	175.8	261.4	1,909.4	17,927.8
Portugal	555.7	2,225.0	216.4	35.2	84.5	1,025.2	4,142.0
Sweden	5,830.5	13,262.9	1,746.5	289.9	1,033.4	6,379.7	28,542.7
Switzerland	2,398.6	13,100.8	2,122.9	731.0	847.8	7,691.3	26,892.4
EFTA	15,965.8	54,800.8	5,875.6	1,502.6	7,799.8	22,249.5	108,194.1

Percentage change from 1980

<i>Imports c.i.f.</i>							
Austria	- 16.7	- 18.3	4.8	- 1.8	6.0	- 9.8	- 13.4
Finland	- 11.0	- 11.9	17.6	1.2	- 1.1	- 25.6	- 9.1
Iceland	16.5	4.6	- 14.3	15.6	- 13.1	1.6	3.5
Norway	- 7.6	- 11.1	6.1	68.9	7.6	- 26.9	- 7.9
Portugal	2.4	0.4	14.9	19.4	22.1	4.5	4.7
Sweden	- 9.7	- 15.1	- 2.4	10.3	- 21.1	- 19.1	- 13.7
Switzerland	- 14.4	- 17.6	- 6.9	- 1.5	- 13.6	- 15.9	- 15.8
EFTA	- 10.1	- 15.0	2.1	13.3	- 3.8	- 15.0	- 11.6
<i>Exports f.o.b.</i>							
Austria	- 11.5	- 12.8	8.0	- 1.4	- 13.8	5.8	- 9.0
Finland	- 14.1	- 11.3	15.8	25.9	31.3	- 3.0	- 1.3
Iceland	13.3	- 21.4	- 6.0	11.0	- 13.0	41.7	- 2.7
Norway	- 3.6	- 4.3	22.0	19.9	- 1.7	- 3.2	- 3.1
Portugal	- 13.7	- 12.6	- 18.1	- 17.2	- 7.9	- 2.3	- 10.7
Sweden	- 8.8	- 13.2	5.3	- 18.2	- 13.6	5.7	- 7.7
Switzerland	- 11.5	- 13.0	- 1.3	- 3.9	- 20.2	- 2.4	- 9.2
EFTA	- 9.9	- 11.0	3.9	- 3.1	2.5	1.1	- 6.8

Table III

EFTA trade in 1981: in national currencies

	EFTA	EC	USA	Japan	Eastern Europe	Rest of world	World
<i>Imports c.i.f.</i> (in millions)							
Austria (Sch.)	25,371	197,122	13,663	9,160	39,753	49,441	334,510
Finland (Mk.)	10,550	20,021	4,579	2,213	16,256	7,644	61,263
Iceland (Kr.)	1,794	3,326	582	337	699	747	7,485
Norway (Kr.)	21,573	41,507	8,270	5,855	2,279	10,170	89,654
Portugal (Esc.)	44,675	227,940	71,889	20,835	16,921	217,452	599,712
Sweden (Kr.)	24,537	70,973	12,013	5,318	6,462	26,766	146,069
Switzerland (Fr.)	4,230	39,449	4,475	2,298	2,410	7,232	60,094
<i>Exports f.o.b.</i> (in millions)							
Austria (Sch.)	30,411	133,029	6,511	2,170	28,733	50,915	251,769
Finland (Mk.)	12,345	21,232	2,230	515	15,953	8,039	60,314
Iceland (Kr.)	1,153	2,048	1,361	109	519	1,346	6,536
Norway (Kr.)	12,922	72,638	3,868	1,009	1,500	10,959	102,896
Portugal (Esc.)	34,198	136,939	13,316	2,165	5,202	63,106	254,926
Sweden (Kr.)	29,521	67,155	8,824	1,468	5,233	32,322	144,523
Switzerland (Fr.)	4,711	25,733	4,129	1,436	1,665	15,148	52,822

Percentage change from 1980

<i>Imports c.i.f.</i>							
Austria	1.9	0.0	28.1	20.1	29.6	10.4	5.9
Finland	2.9	2.6	35.8	17.0	14.5	- 15.3	5.2
Iceland	75.4	57.6	29.3	74.6	30.9	52.1	55.9
Norway	7.2	4.0	21.8	96.3	24.9	- 15.0	7.2
Portugal	25.9	23.4	41.2	46.8	50.1	28.4	28.7
Sweden	7.9	1.5	16.2	31.1	- 6.8	- 3.3	3.1
Switzerland	0.4	- 4.8	9.0	15.5	1.3	7.4	- 1.3
<i>Exports f.o.b.</i>							
Austria	8.3	6.6	32.1	20.7	5.4	29.4	11.3
Finland	- 0.6	2.6	33.8	45.9	52.0	12.3	14.2
Iceland	70.6	18.4	41.5	67.7	31.7	112.6	46.5
Norway	11.4	11.1	41.7	39.2	14.2	10.4	12.2
Portugal	6.1	7.4	0.7	1.8	13.4	20.1	9.8
Sweden	9.0	3.8	25.7	- 2.7	3.9	25.9	10.3
Switzerland	3.8	3.1	16.2	12.8	- 6.5	12.1	6.5

Table IV

Percentage shares of imports in 1981

	EFTA	EC	USA	Japan	Eastern Europe	Rest of world	World
Austria	7.6	58.9	4.1	2.7	11.9	14.8	100.0
Finland	17.2	32.5	7.5	3.6	26.5	12.6	100.0
Iceland	24.0	44.4	7.8	4.5	9.3	10.0	100.0
Norway	24.1	46.3	9.2	6.5	2.5	11.3	100.0
Portugal	7.4	38.0	12.0	3.5	2.8	36.3	100.0
Sweden	16.8	48.6	8.2	3.6	4.4	18.3	100.0
Switzerland	7.0	65.6	7.5	3.8	4.0	12.0	100.0
Total EFTA	13.0	51.6	7.7	3.9	7.9	15.9	100.0

Percentage shares of exports in 1981

	EFTA	EC	USA	Japan	Eastern Europe	Rest of world	World
Austria	12.1	52.8	2.6	0.9	11.4	20.2	100.0
Finland	20.5	35.2	3.7	0.9	26.4	13.3	100.0
Iceland	17.7	31.3	20.8	1.7	7.9	20.6	100.0
Norway	12.6	70.6	3.8	1.0	1.5	10.6	100.0
Portugal	13.4	53.7	5.2	0.8	2.0	24.8	100.0
Sweden	20.4	46.5	6.1	1.0	3.6	22.4	100.0
Switzerland	8.9	48.7	7.9	2.7	3.2	28.6	100.0
Total EFTA	14.8	50.6	5.4	1.4	7.2	20.6	100.0

Table V

Intra-EFTA trade in 1981

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

Importer	Austria	Finland	Iceland	Norway	Portugal	Sweden	Switzerland	EFTA
Exporter								
Austria	—	154.6	5.2	154.2	57.7	372.6	1,165.1	1,909.4
Finland	85.7	—	18.4	658.1	42.0	1,867.4	189.1	2,860.7
Iceland	0.6	12.8	—	10.9	97.2	15.3	22.9	159.7
Norway	56.2	328.2	94.4	—	61.8	1,601.8	109.1	2,251.5
Portugal	42.7	56.3	16.4	77.8	—	179.3	183.3	555.7
Sweden	338.9	1,850.3	78.2	2,742.2	244.2	—	576.4	5,830.3
Switzerland	1,152.1	231.4	10.2	226.4	242.6	535.9	—	2,398.6
EFTA	1,676.2	2,633.6	222.8	3,869.6	745.5	4,572.3	2,245.9	15,965.8

Percentage change from 1980

Importer	Austria	Finland	Iceland	Norway	Portugal	Sweden	Switzerland	EFTA
Exporter								
Austria	—	— 4.0	7.5	— 15.2	0.6	— 16.3	— 10.8	— 11.5
Finland	— 18.3	—	— 21.9	11.3	— 11.6	— 20.1	— 16.3	— 14.1
Iceland	— 27.8	— 55.1	—	— 30.4	120.1	— 22.5	— 28.7	13.3
Norway	— 27.2	9.5	24.7	—	60.9	— 6.3	— 19.6	— 3.6
Portugal	— 20.1	— 14.6	— 25.1	— 9.9	—	— 13.9	— 12.1	— 13.7
Sweden	— 20.5	— 4.8	14.8	— 9.5	10.0	—	— 18.2	— 8.8
Switzerland	— 15.0	— 2.4	13.3	— 11.6	1.4	— 12.4	—	— 11.5
EFTA	— 16.9	— 3.7	10.1	— 7.0	14.8	— 14.2	— 14.0	— 9.9

Appendix

Ministerial meetings of the EFTA Councils

Geneva, 26 and 27 November 1981

Communiqué

The EFTA Councils met at ministerial level in Geneva on 26 and 27 November under the chairmanship of Mr. Josef Staribacher, Austria's Federal Minister for Trade, Commerce and Industry.

Ministers expressed their concern at the economic situation in industrialised countries characterised by continuing slow growth, a high and rising rate of unemployment, persisting inflationary pressures and a slow-down in international trade. They noted in particular that the recovery in international demand that had been forecast has not taken place during this year. The recent volatility in exchange rates adds to the general uncertainty regarding the development of economic activity. This uncertainty hampers productive investment and further aggravates the general employment situation. Ministers expressed their preoccupation with respect to this situation and underlined the importance of consistent international efforts and adequately broad policy approaches to restore non-inflationary growth, in which strategy structural adaptation was considered to be a key element. Ministers however also noted that for the OECD area as a whole a recovery phase is expected in the course of next year.

Despite slack international demand, the volume of total EFTA exports for the whole of 1981 is likely to show a slight increase while imports are clearly declining mainly because of cyclical factors but also due to savings in energy imports. The combined trade deficit of the EFTA countries expressed in US dollars was almost halved during the first three quarters of the year in spite of continued deterioration of the terms of trade in most EFTA countries. The development of the external balances had thus generally been more positive than expected, but ministers noted that the continued fight against inflation, in the interest of more balanced economic growth, for the time being leaves governments with little room for manoeuvre in economic policy. They manifested their preoccupation that the economic growth rates in the EFTA countries may be insufficient to maintain employment at its present relatively high level.

Ministers stressed that current economic difficulties made it even more important that the principles of the liberal world trading system should be observed by all countries and reiterated their full commitment to securing the open system of international trade. They urged all governments to resist pressures for all forms of protectionism and to resolve problems concerning international trade within the existing multilateral framework. Ministers welcomed in this context the proposed GATT ministerial meeting to examine the functioning of the multilateral trading system, and to reinforce the common efforts to support and improve the system for the benefit of all nations, as well as the new consensus reached in the OECD regarding export credits. Ministers furthermore reaffirmed their determination to strengthen trade relations with the developing countries, bearing in mind the special needs of the least developed among them. They were of the opinion that advantage should be taken of the positive atmosphere created by the recent meeting in Cancún in the search for consensus for an early start to global negotiations on international economic cooperation for development.

Reviewing the activities of the Association in the past six months, ministers stressed the importance of EFTA cooperation and welcomed the continuing endeavour generally to overcome technical and other non-tariff barriers to trade as an essential complement to the removal of tariffs and quotas. They also noted with interest reports on meetings of the Consultative Committee, the Committee of Members of Parliament of the EFTA countries, the Joint EFTA-Yugoslavia Committee and the Joint Committee established under the free trade agreement between the EFTA countries and Spain.

Ministers also expressed satisfaction that trade between the seventeen countries in the European free trade system constitutes a source of strength to the economies of all countries concerned. They noted the significance for European free trade of avoiding measures which may lead to distortion of competition, and welcomed in this context efforts to reduce technical barriers to trade.

The Free Trade Agreements between the EFTA countries and the Community continued to function satisfactorily. Their impact would, however, be strengthened if the origin rules they contained were simplified. These rules have a direct bearing on day-to-day industrial and trading activities. Ministers recalled that the EFTA countries had put forward quite some time ago concrete proposals for simplifying these rules of origin and expressed the strong hope that the European Community would soon respond to these proposals.

The recent meeting between delegations from the Committee of Members of Parliament of the EFTA countries and from the European Parliament was welcomed by ministers as a further expansion of the contacts between the EFTA countries and the European Community.

At the invitation of the Finnish government, the next meeting of the EFTA Councils at ministerial level will be held in Helsinki on 4 June 1982.

Helsinki, 4 June 1982

Communiqué

The EFTA Councils met at ministerial level in Helsinki on 4 June under the chairmanship of Mr. Esko Ollila, Finland's Minister of Trade and Industry.

Ministers noted that there was still uncertainty whether the bottom of the cyclical trough in activity had been reached but they welcomed the indications that some revival was occurring. However, the somewhat better growth performance expected in 1983 would still fall short of the rate required to bring about a rapid reduction in the present high level of unemployment. Furthermore, persistent high interest rates and continuing inflationary pressures in many countries might bring with them the risk that the expected revival would not lead to sustained recovery in the medium term. Ministers expressed their concern over these prospects.

They stressed that it was all the more necessary to continue all efforts to achieve balanced growth and to speed up structural adjustments and reduce uncertainty so as to create a climate favourable for productive investment and, thereby, a sustained reduction in unemployment.

Ministers affirmed that it was more important than ever that all governments respect the rules of the liberal international trading

system. Ministers noted with great concern the increasing recourse to bilateral arrangements and sectoral measures, and various kinds of subsidisation, threatening the functioning of the open multilateral trading system to which EFTA countries are committed. Resorting to measures which had direct or indirect protectionist effects would only result in a further decline in employment and real income levels in all trading countries. Noting in this context in particular that the very open economies of their countries, which are highly dependent on foreign trade, made them especially exposed to the impact of protectionism, Ministers emphasised the need for sustained efforts by the EFTA countries to fight in common against protectionist tendencies — the main task in the coming years. This should be pursued within EFTA as well as in such organisations as the OECD and GATT.

This view had also found wide support in the EFTA Consultative Committee which met in the presence of Ministers immediately prior to the meeting of the EFTA Councils and discussed government aids and free trade in relation to industrial and regional policies as well as how EFTA countries could cooperate in the present international economic environment in order to promote free trade and fight protectionist pressures within and outside their own area.

Ministers underlined the importance of the GATT ministerial meeting to be held in November as a means of reinforcing the multilateral trading system, its transparency and observance. In addition to the implementation of the Tokyo Round of Multilateral Trade Negotiations, Ministers called for further efforts in the area of trade liberalisation during the 1980s. They stressed the urgency of finding a comprehensive solution to the safeguard issue. The GATT ministerial meeting would also provide an opportunity further to improve trade relations between industrialised countries and developing countries for the benefit of all parties. Ministers expressed their wish that EFTA countries should continue to exchange views on these and other issues and to contribute in substance to the preparation of a successful GATT ministerial meeting.

Underlining the fact that the Free Trade Agreements had contributed substantially to the expansion of trade within the European free trade system covering seventeen countries and recalling that EFTA remained the Community's most important trading partner, Ministers strongly regretted that no substantial results had been achieved so far in the simplification of origin rules. Ministers emphasised that this field had been identified both by the EFTA countries and the Community and its Member States as an area for suitable further cooperation. They expressed the firm hope that the Community's Council of Ministers would soon be in a position to reach a positive decision on the respective proposals which had been examined exhaustively at technical level.

Ministers discussed the consequences for the Association of Portugal's departure from EFTA once its application for membership of

the European Community was approved. Ministers stated that they consider this application with sympathy and understanding and recalled that it would not result in a break in trading patterns. Following accession to the Community, trade between Portugal and its present EFTA partners would be governed by the Free Trade Agreements, the terms of which in most cases were similar to those of the Stockholm Convention.

Ministers took note with interest of two reports by the Committee of Members of Parliament of the EFTA countries on recent meetings in Geneva and Basle during which problems concerning trade-related aspects of regional policies had been discussed. It was agreed that these matters should be studied further within the Association.

Ministers reviewed the operation of the EFTA-Spain Agreement as well as continued cooperation with Yugoslavia.

The next meeting of the EFTA Councils at ministerial level will be held in Geneva on 8 November 1982.

European Free Trade Association July 1981 — June 1982

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