

1984

Twenty-fourth
Annual Report
of the
European Free Trade
Association



Geneva, March 1985

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Introduction:

the Luxembourg and Visby Declarations

Two events of 1984 were of cardinal importance for the development of the cooperation between the EFTA countries. One was not a purely EFTA matter: it was the first meeting ever at ministerial level between the EFTA countries and the European Community (EC) and its members, in Luxembourg on 9 April. The other occasion was an EFTA summit meeting, in Visby (Sweden) on 23 May. This was only the fourth time in EFTA's history that Heads of Government and Ministers from all the EFTA countries had met to determine the main lines of their collaboration in the future.

These two events were linked. From the start of their association, almost twenty-five years ago, the EFTA members had set themselves the ultimate objective of working for the establishment of a free trade system



Press conference after the Luxembourg meeting, 9 April 1984. Left to right: M. Hellström, Sweden's Minister for Foreign Trade; C. Cheysson, France's Minister for External Relations and W. Haferkamp, Vice-President of the European Communities.

for industrial goods covering all Western European countries and therefore the EC as well. The successful negotiation of bilateral free trade agreements with the EC made it possible for most, though not immediately for all, EFTA countries to enter into a new relationship with the Community from 1 January 1973, the date of its first enlargement. When the remaining tariffs on imports into the EC of paper products from the EFTA countries were abolished on 31 December 1983 the final removal of all tariffs was completed in principle and it was found appropriate to mark the culmination of their movement to free trade early in 1984.

Quite apart from these contractual ties the EFTA countries and the EC are closely interconnected through extensive commercial and economic relationships. For each of the EFTA countries individually and for the Association as a whole, the EC was and is the single most important trading partner. It was the source in 1983 of 54 per cent of EFTA imports and the destination of 52 per cent of all exports from EFTA. And no country or group of countries plays so big a part in the trade of the EC as EFTA. Moreover, if the trade between the EFTA countries and between the EC members is included, more than 40 per cent of world trade takes place within the European free trade system. Accordingly, both the strengthening of the cooperation within the free trade system and the responsibility of its participants in relation to world trade and economic growth were on the agenda in Luxembourg.

On that occasion ministers from the EC and EFTA countries took stock of more than a decade of cooperation in free trade and identified aims and areas for a deepening and extension of cooperation both within the framework of, and beyond, the free trade agreements. They stated that, with the final abolition of tariff barriers and quantitative restrictions, the largest system of free trade in the world, with over 300 million consumers, had been established. This achievement was seen as a major element behind the considerable growth of trade between the European countries concerned. The results were described as a major success for European cooperation, particularly in view of the economic difficulties and protectionist pressures experienced since the early 1970s. This amounted to a substantial contribution to the progress towards economic recovery and should lead to a further expansion of trade. The ministers therefore expressed their conviction that it is important to take further action to consolidate and strengthen cooperation, with the aim of creating a dynamic European economic space of benefit to all their countries.

Several main spheres in which the EFTA and the EC countries would cooperate were covered in the declaration adopted in Luxembourg and are reproduced in the Appendix. They would aim to reduce the remaining hindrances to the free circulation of industrial goods within the European free trade system. They would extend their cooperation, in a pragmatic and flexible manner, in such areas as research and development. They would continue their efforts to sustain and consolidate the current economic recovery and to reduce the unacceptably high level of unemployment, a process which called for the active participation of both sides of industry. They would increase consultations and exchanges of view on



Visby Summit meeting, 23 May 1984. P. Kleppe, Secretary-General of EFTA; O. Palme, Sweden's Prime Minister, Chairman of the meeting; U. Hjertsonsson (Sweden), Assistant Under Secretary, Prime Minister's office; M. Hellström, Sweden's Minister for Foreign Trade.

trade and economic questions, especially those under discussion in larger international organisations or meetings.

The summit meeting of EFTA Heads of Government and Ministers in Visby was in part intended to spell out the means by which the EFTA countries could translate the political commitments of Luxembourg into action and in part dealt with other aspects of cooperation within EFTA. The success of the free trade agreements and the importance of the development of cooperation throughout the European free trade system was highlighted by the prominence given to them at the EFTA summit.

In the Visby Declaration, which is given in full in the Appendix, the EFTA governments called for early action in several fields to facilitate the free movement of industrial products between the EFTA countries and the EC. Many other objectives for future cooperation with the EC were also singled out, some directly related to the free trade agreements, others concerning a wide range of other economic matters. Many of these are covered by the new EFTA work programme which was adopted by the Councils at ministerial level on the day before the summit meeting.

All the standing committees of EFTA contributed to the drawing up of the work programme and to the preparations for the Luxembourg and Visby meetings; all of them continue to be engaged in preparations for the practical implementation of the contents of the declarations. High officials

from the EFTA countries and from the EC Commission met in September to see that progress is being made, and they will meet again in the spring of 1985. The need to sustain the momentum initiated by these two exceptional events was stressed by EFTA ministers at their meeting in November.

The Councils

The EFTA Council and the Joint Council of EFTA and Finland

In 1984 the EFTA Council and the Joint Council of EFTA and Finland met twenty times, on each occasion simultaneously. Two of the meetings were held at ministerial level, one in Visby in May on the eve of the summit meeting of the EFTA countries, and one in November in Geneva. The communiqués issued after the ministerial meetings are reproduced in the Appendix.

In the first half of the year Sweden held the chairmanship of both Councils and Switzerland the vice-chairmanship. In the last six months Switzerland succeeded to the chairmanship and Austria to the vice-chairmanship.

The new work programme

A large part of the year was devoted to the drawing up of a new work programme and to the first stages of its implementation. It was the fruit of much reflection in the capitals of the EFTA countries and of thorough discussion in the Councils and the standing committees of the Association. In substance it reflected both the results of the EFTA-EC ministerial meeting in Luxembourg and the increasing interdependence of national economies in the world today; and its purpose was to transform the results of Luxembourg and Visby into practical action. The programme was adopted at the ministerial meeting of the Councils on 22 May.

The overriding aim of the declarations of Luxembourg and Visby, as of the work programme, is to consolidate free trade in general and to strengthen the European free trade system in particular. The programme, which is to be reviewed by the Councils in 1985, is a comprehensive set of guidelines, but, because of the complexities of the matters involved, does not lay down the priority to be given in all the fields for cooperation that it

deals with. The immediate priority areas listed at the ministerial meeting in May were: rules of origin, technical barriers to trade, border formalities, and the documentation required for the movement of goods across national borders.

To the EFTA countries it had long been clear that the rules of origin in the Stockholm Convention and in the free trade agreements are complex, difficult to understand and to apply, and a source of unduly high administrative costs. A number of improvements—some of a general nature, some more a matter of detail—have been made over the years but more simplification is necessary for the future development of free trade in Western Europe. The best way to proceed has been a matter for discussion within EFTA. The aim of the EFTA countries is to engage in talks with the EC on the required simplification and improvement of the origin rules.

The priority given to the question of technical barriers to trade reflected the need to deepen the free trade system by removing non-tariff barriers to trade. According to the work programme the objectives here are three-fold: to increase information on national standards and technical regulations; to harmonise them as far as possible; and to give testing and certification requirements, intended to establish that particular products conform to the relevant standards or technical regulations, the broadest international validity possible. Close attention has throughout been given within EFTA to EC developments in this field in the belief that the strengthening of the EC's internal market should not indirectly block the access of EFTA products entitled to free trade treatment in the EC.

As was recorded in EFTA's last Annual Report, the EFTA countries had announced their interest in taking part in a procedure for exchanging information on new standards and standardisation programmes which was being introduced in the EC in accordance with a directive of March 1983. On the recommendation of the Committee of Trade Experts the Councils agreed in February on the nature and the practical details of the participation they sought. Contracts were then negotiated and in July signed with CEN (the European Committee for Standardisation) and CENELEC (the European Electrotechnical Standardisation Committee). These are the two bodies which can draw up European standards at the request of the EC or EFTA or the national standards institutions (from all EFTA and EC countries apart from Iceland) which are the members of CEN and CENELEC. The work programme indicates that the EFTA countries should also try to establish a procedure for exchanging information on technical regulations.

The EFTA countries will also explore the possibilities of cooperation with the Community on the harmonisation of standards and technical regulations. Moreover, they are to take action to bring about greater cooperation in the reciprocal recognition of national testing and certification requirements. A number of arrangements of this kind were originally worked out in EFTA but other countries, some of them members of the EC, are also participating in them. The aim now includes an effort to establish conditions in which a wider range of products can be covered by such



Ministerial meeting, Geneva: P. Kleppe, Secretary-General of EFTA; K. Furgler, Vice-President of the Swiss Federal Council and Head of the Federal Department for Public Economy; J. Kellenberger, Head of the Swiss Integration Office and P. Lévy, Ambassador, Delegate of the Federal Council for Trade Agreements.

arrangements and their geographical scope extended. Finally, an attempt is to be made to devise a system under which, in the case of products for which the national standards or technical regulations have been harmonised, it would be possible for EFTA countries and the EC to accept each other's procedures for certifying that the products satisfy the standards or regulations.

Simplification of border controls was accepted as the third priority area under the work programme, since it would constitute an important element in the effort to facilitate the free movement of goods within Western Europe. EFTA's aim should be to embark on discussions with the EC with the purpose of facilitating border controls and formalities on a reciprocal basis between the EFTA countries and the EC. Subsequent contacts at expert level showed that this was a matter of common interest, but that geography dictated that many problems could only be satisfactorily solved in a bilateral context.

One of the means envisaged for strengthening the internal market of the EC is the simplification of the documents necessary for clearing goods through the Customs. (Towards the end of the year agreement was reached within the EC on the form and content of a single administrative document to be used for this purpose.) As another priority element in the

work programme, EFTA is considering the possibility that a single document might be used throughout the European free trade system.

Apart from the initial priority areas just mentioned, the new work programme calls for an in-depth study of the various kinds of government aid now in use, with a view to increasing transparency in this area. The abolition of export credit subsidies in trade in industrial goods between industrialised countries, especially those in the European free trade system, is another objective. Other items covered include public procurement, trade in agricultural goods, trade in fish, general trade policies and other economic questions. Preparations could also be made for future cooperation in such fields as research and development, environmental policies and tourism. The priority to be given to those matters remains to be determined.

Portugal and its prospective accession to the EC

In order to comply with the requirements of Article 42 of the Stockholm Convention Portugal gave notice in writing to the Swedish government on 27 December of its intention to withdraw from EFTA as of 31 December 1985, in connection with its prospective accession to the EC. Informed of this in advance, the Councils agreed in December that if for any reason Portugal were to revoke its notice of withdrawal before it became effective, they would raise no objections.

Origin rules: simplification

A report from the Committee of Origin and Customs Experts on the simplification of the rules of origin was considered by the Councils in November. It pointed out that the origin rules are the only link between the separate free trade areas created by the bilateral free trade agreements. But in their present form they do not sufficiently reflect the status of the EFTA countries as highly industrialised. Nor do they fully take into account the position of the EFTA countries as the most important trading partners of the EC or the fact that the preferential trade between them is based on reciprocity.

The Committee found in particular that the present provisions on cumulation do not promote industrial cooperation in Europe as much as is desirable. Moreover, the development of world trade, and the stimulus to trade provided by the Tokyo Round tariff reductions, encourage third country imports into Europe. A strengthening of the preferential trade between the EFTA countries and the EC by such means as a simplification of the origin rules would contribute to the creation of a dynamic European economic space, as envisaged at the Luxembourg meeting of EFTA and EC ministers.

The Councils endorsed these views.



Ministerial meeting, Visby: N. Faustenhammer, Deputy-Secretary-General and P. Kleppe, Secretary-General of EFTA; M. Hellström, Sweden's Minister for Foreign Trade, Chairman of the Councils at ministerial level; H.V. Ewerlöf, Ambassador, Head of the Swedish Delegation to EFTA; M. Vahlquist, Assistant Under-Secretary, Sweden's Ministry of Foreign Affairs; Ambassador S. Brattström, Head of the Swedish Mission to the EC in Brussels.

Origin rules: amendment of Annex B to the Stockholm Convention

By decision of the Council Annex B was amended to provide a means for the identification of the few products which are free trade products under the Stockholm Convention but not under the free trade agreements.¹ Articles 25 and 25*bis* provided a distinction between goods subject to EFTA tariff treatment—generally, duty-free entry at the time when the free trade agreements came into force—and those subject to one or other of the timetables for the dismantling of tariffs under the free trade agreements. This distinction ceased to apply at the end of 1984 when the remaining duties on "sensitive products" were abolished. There were a few industrial products, however, that are covered by the Stockholm Convention and free of duty in EFTA but not covered by the free trade agreements. On the recommendation of the Committee of Origin and Customs Experts the Councils therefore deleted paragraphs 1 to 4 of Article 25 of Annex B and Article 25*bis*. They added a new Article 25*ter* which states that such products can only benefit from duty-free treatment if they fulfil the other conditions of the Annex and if the EUR. 1 certificate or EUR. 2 form, whichever is appropriate, is marked to indicate that they have originated in EFTA and undergone any additional processing solely in EFTA countries. (Paragraph 5 of Article 25 remains; it deals with imports of iron or steel products from Greece which, unlike most other Greek industrial products, are subject to duties, though at declining rates, until the end of 1985.)

¹ Decision of the Council No. 18 of 1984 and Decision of the Joint Council No. 10 of 1984, adopted on 18 December 1984.

Origin rules: other aspects

In July the Councils endorsed the agreed interpretation given by the Committee of Origin and Customs Experts to the term "consignment" in connection with the use of an EUR. 2 form, the origin document used for consignments not exceeding a prescribed value limit. The interpretation permits a "consignment" to consist of more than one parcel or package containing originating products alone, providing the value limit applicable at the time when the form is made out is respected and provided the parcels are sent simultaneously from one exporter to one consignee and covered by a single transport document or a single invoice.

The Portuguese import regime

The Councils adopted a number of decisions to meet requests from Portugal for a longer period of protection, and the introduction of new protective duties, for some products. All the requests were intended to facilitate the restructuring of industry in Portugal in preparation for its accession to the European Communities. Similar measures of protection for Portuguese industry were permitted by the EC. During the discussions in EFTA on the Portuguese requests the delegations of the other countries stated that the duties on certain products created difficulties for particular export industries in their countries. These delegations were nevertheless prepared to accept the requests because of their sympathy with and understanding of the efforts made by Portugal to overcome its economic problems.

As a first step, the Councils decided in June to amend Annex G to the Stockholm Convention to make it possible for the Council to authorise Portugal to apply import duties to products elsewhere specified up to 1 January 1986 instead of 1 January 1985.² This amendment, in the form of the addition of a sub-paragraph 6^{quater} in the Annex, also empowers the Council to extend this limit for a maximum of one year, if circumstances so require, on products for which duties have been authorised before the end of 1985. This decision was adopted before the discussion of the substance of the Portuguese requests had been completed and without prejudice to the outcome of the discussion, in order to leave sufficient time for the necessary parliamentary procedures for amending the Convention in all EFTA countries. By 21 December all had notified their acceptance and the decision came into effect on that date.

Another amendment to Annex G also took effect from that date.³ An addition to sub-paragraph (a) of paragraph 6^{ter} of Annex G enables the Council to authorise Portugal to apply an import duty exceeding the max-

² Decision of the Council No. 8 of 1984 and Decision of the Joint Council No. 3 of 1984, adopted on 29 June 1984.

³ Decision of the Council No. 9 of 1984 and Decision of the Joint Council No. 4 of 1984, adopted on 29 June 1984.

imum permitted under paragraph 6*ter* but only in certain cases of processed agricultural products of a particularly sensitive nature.

Five associated decisions were adopted in December. One in effect authorised Portugal to postpone by twelve months—until the end of 1985—the final elimination of duties on a variety of products.⁴ Some of these had been permitted in virtue of paragraph 6*bis* of Annex G, which in specific cases permits a prolongation of the timetables for the dismantling of duties, others in virtue of paragraph 6*ter*, which permits the introduction of duties on products manufactured in Portugal by industries in a particularly difficult situation. The maximum duty permitted in paragraph 6*ter* is 20 per cent ad valorem and in the great majority of cases the rate actually applied is 15 or 16 per cent.

A second decision relates to the timetable to be applied for the removal of duties on infant industry products and also postpones the final abolition of the duties until the end of 1985.⁵ This concerns only products that were already liable to duty. In a third decision some processed agricultural products were added to the list of products referred to in paragraph 6*ter* on which duties may be levied because of the difficult conditions in which the industry is operating.⁶ The maximum duties that may be applied to these processed agricultural products is fixed at 65 per cent ad valorem in most cases and 15 per cent in one, in a fourth decision which also requires the duties to be dismantled by the end of 1985.⁷

Finally, Portugal was authorised by another decision to give infant industry protection to some additional products which had recently come into production or would soon be manufactured through the expansion of six Portuguese companies.⁸ The actual rates of duty are to be notified in advance to the Council and no import duty may be applied after the end of 1985.

In no case may duties on infant industry products or under paragraph 6*ter* of Annex G be levied if the products are subject to a surcharge or any other measure restricting imports. The decisions adopted in December were all in force on 1 January 1985.

In March Portugal notified the Councils of its intention to maintain its system of quotas for the import of cars and other motor vehicles. At the time, it had begun discussing this regime with the EC since it was expected that the quota system would essentially concern the situation after Portugal's accession to the EC. At a Council meeting in December the repre-

⁴ Decision of the Council No. 13 of 1984 and Decision of the Joint Council No. 5 of 1984, adopted on 18 December 1984.

⁵ Decision of the Council No. 14 of 1984 and Decision of the Joint Council No. 6 of 1984, adopted on 18 December 1984.

⁶ Decision of the Council No. 15 of 1984 and Decision of the Joint Council No. 7 of 1984, adopted on 18 December 1984.

⁷ Decision of the Council No. 16 of 1984 and Decision of the Joint Council No. 8 of 1984, adopted on 18 December 1984.

⁸ Decision of the Council No. 17 of 1984 and Decision of the Joint Council No. 9 of 1984, adopted on 18 December 1984.

sentatives of the other EFTA countries declared that they would not invoke the provisions of the Stockholm Convention against the prolongation. The quota system, which is intended to assist in the restructuring of the Portuguese industry, will now remain in force until 31 December 1987.

Swiss imports of certain fodder products

The Councils considered notifications of decisions of the Swiss Federal Council to impose a levy on the import of certain products if intended for use as feeding stuffs, as part of national agricultural policy. The Councils took note of the Swiss notification but several delegations expressed concern at the application of a border charge on free trade products.

Government aids

A consolidated survey of the government aids currently available to industry in the EFTA countries was completed in July and came before the Councils in October. It was based on notifications from all EFTA countries (apart from Portugal) and once again included information also on aid given in the form of subsidised export credits. The Councils instructed the Committee of Trade Experts to examine the aid measures notified, to discuss the information supplied with the aim of determining whether any of the aids frustrated the benefits expected from the liberalisation of trade within EFTA, and to report to the Councils with whatever recommendations the Committee considered appropriate.

At the same meeting the Councils considered how the in-depth study of government aids referred to in the new work programme should be carried out. It was decided that the Economic Committee should study the reasons for, and the economic effects of, the various kinds of government aid in use and that the Committee of Trade Experts should then consider the trade effects. Subsequently the Councils endorsed a proposal from the Economic Committee that a working party of national economic experts should carry out the in-depth study requested of the Committee.

Trade mark law

In February the Councils examined a report from an expert group which had continued to follow the development of EC Commission proposals for the introduction of a Community trade mark. These proposals consist of a Regulation on the Community trade mark and a Directive to approximate the national laws on trade marks. The immediate purpose of the group of experts, which met in January for the tenth time, was to see how the interests of the EFTA countries in regard to a Community trade mark law could best be safeguarded. The Councils noted the report and agreed that the group's observations should be conveyed to the EC in an appropriate manner, and this was done in February. It was also agreed that develop-

ments in the EC in this field should continue to be followed. The Councils agreed that they would consider reconvening the expert group once the Commission's proposals had been revised. By the end of the year a revised draft of the Regulation but not of the Directive had been published.

The EFTA Industrial Development Fund for Portugal

The EFTA Industrial Development Fund for Portugal, which will complete its eighth year of operation on 31 January 1985, continued to provide assistance, mostly in the form of loans, to small and medium-sized enterprises for their fixed investments in Portugal. By the end of October 1984, the most recent date for which statistics are available, the number of loans approved by the Fund since its founding had reached 274. The combined value of these loans amounted to 11.1 billion escudos—about 69.3 million Special Drawing Rights (SDRs). The total investment involved in these projects comes to 24 billion escudos, a sum which includes the finance provided by other sources since the Fund may not cover the whole cost of any investment project.

A very high proportion of the investments assisted by the Fund involve the modernisation and re-equipment of factories rather than the construction of new factories. The number of new jobs created as a result of the loans from the Fund up to the end of October 1984 was about 3,700. But it is estimated that as many as 54,000 employees have better prospects of remaining in employment because modernisation increases the competitiveness of the firms concerned.

The inflow during the year of current assets into the Fund as a result of repayments of loans and payment of interest was more than sufficient to cover disbursements. There was consequently no need for any further calls for contributions. At the end of the year, as at the beginning, the Fund had called up altogether 81 per cent of the total contributions of SDR 84,604,516 made available by the seven EFTA countries.

Assistance in the form of loans for investment projects is supplemented by a programme of management training which in 1984 included two four-week integrated management courses and seminars on methods of penetrating foreign markets, on managing under inflation, on the practical application of market research to exports, and on international trade.

New committee set up by the Council

By a decision adopted in July the EFTA Council established a new standing committee called the Committee on Technical Barriers to Trade.⁹ Its background and purpose are described on pages 23-24. The mandate of the Committee of Trade Experts was amended to take account of the role of the new committee.¹⁰

⁹ Decision of the Council No. 10 of 1984, adopted on 12 July 1984.

¹⁰ Decision of the Council No. 11 of 1984, adopted on 12 July 1984.

Information activities

The participation of ministers from the EFTA countries in the Luxembourg meeting with ministers from the EC in April, and the holding of an EFTA summit in the following month, caused considerable public attention to be given in the press and on radio and television to the role of EFTA. This was particularly true of the EFTA countries but there was also a certain increase in coverage by the media in the EC.

In connection with those meetings a special effort was made to present the background and the position of EFTA in the European free trade system to the representatives of the news media.

There was a marked increase in the number of groups of various kinds and of journalists coming to Geneva for briefings on EFTA's current activities. These have included groups of students, teachers and officials from EFTA and other countries.

The EFTA Bulletin, which is published quarterly, continued to concentrate on some of the main common concerns of the EFTA countries. In addition to presenting the fruits of the Luxembourg and Visby meetings, it contained articles on the costs of protection, on proposals for the dismantling of protectionism, on the relations between the EFTA countries and the developing world, and on the links between economic integration and regional development.

Other publications during the year included "EFTA Trade 1982", the detailed annual statistical analysis of EFTA's trade with its main trading partners; the 7th Annual Report of the EFTA Industrial Development Fund for Portugal; an up-dated edition of the leaflet "EFTA, what it is, what it does" in English, French, German, Norwegian and Swedish versions, as well as a version in Japanese. An up-dated edition of "Basic Standards of good manufacturing practice for pharmaceutical products" was published under the auspices of the Pharmaceutical Inspection Convention.

Four more occasional papers were published during the year: "Stabilisation policies in the EFTA countries", by Hannu Halttunen; "The forward exchange markets, short-term capital flows and the independence of monetary policy in Finland", also by Hannu Halttunen; "The EFTA countries' export performance for manufactured goods, 1970-82", by Amund Utne; and "The trade-related aspects of regional policy", by James Lanner.

Under the 1983-84 programme four postgraduate research scholarships were awarded. The successful applicants were:

- Mr. Carl Hamilton, of the Institute for International Economic Studies in the University of Stockholm, for a research project on voluntary export restraints when applied by members of a free trade area or a Customs union;
- Mr. Dan Horowitz, who is working for a doctorate in the Université Libre de Bruxelles, for research into the legal regulation of competition in the free trade areas established by the EEC with EFTA countries;

- Mr. Antonio José Marques Mendes, who is preparing his PhD thesis in the University of Kent, for a research project on the role of EFTA in European trade and growth, with special reference to Portugal; and
- Mr. Yrjänä Tolonen, who is studying at the Institute of Economics in the University of Turku, and whose project involves examining the effects of EFTA and EEC treaties and Nordic cooperation on intra-industry trade in the four Nordic countries.

Finance

The net budget of the Association for the financial year 1983-84, including a supplementary budget, was 11,073,214 Swiss francs. For the financial year 1984-85, which began on 1 July 1984, the Councils established a budget of 11,988,160 francs gross which, after a deduction of income estimated at 524,500 francs, leaves a net sum of 11,463,660 francs to be financed by contributions from the seven EFTA countries. The increase in the net budget is 3.5 per cent.

The size of the national 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 1983-84 and 1984-85 was as follows, in percentages:

	1983-84	1984-85
Sweden	27.55	26.71
Switzerland	25.88	25.80
Austria	16.29	15.93
Norway	12.48	13.20
Finland	11.11	11.53
Portugal	5.17	5.31
Iceland	1.52	1.52

Secretariat

At the ministerial meeting in Visby the appointment of Mr. Per Kleppe as Secretary-General was extended to 15 April 1988 and the appointment of Mr. Norbert Faustenhammer as Deputy Secretary-General extended to 31 December 1987.

At the end of December 1984 there were 33 officials in the professional category on the staff of the Secretariat and 37 general service staff members, 8 of whom were employed on a half-time basis.

The Committees

The Economic Committee

The Economic Committee, which consists mostly of officials from finance ministries and central banks in EFTA countries, met twice in Switzerland during the year, in Sion in April and in Geneva in October.

Meetings of the Committee are normally held shortly before the Councils meet at ministerial level so that they can have up-to-date advice on current economic developments. The Sion meeting also served the purpose of preparing for the EFTA summit and making recommendations on economic matters for the new work programme that was endorsed at the summit. The customary detailed study of the economic situation in two or three EFTA countries was therefore omitted and more attention was given to the general economic prospects, with particular emphasis on the unemployment problem.

Two more specific matters were discussed in Sion, EFTA's trade with the developing countries, and the causes and costs of the increasing use of protectionist measures. The Committee, in its discussion on the basis of a Secretariat paper, noted that trade with the developing countries is a smaller part of EFTA's trade than of other groups'. Thus, less than 5 per cent of the manufactured goods imported into the EFTA countries come from developing countries, compared with 7 per cent for the EC and 12 per cent for the OECD as a whole. In its trade with the developing countries the EFTA group is a net importer of food, raw materials and mineral fuels and a net exporter of all types of manufactured goods apart from clothing, leather and footwear.

The Committee found that the economic situation of many developing countries could be eased by allowing their exports easier access to the industrialised countries. This would have benefits for the EFTA countries in the form of cheaper imports, a lower inflation rate and a spur to structural

change. A more liberal treatment of exports from the developing countries might also lead to a reversal of protectionist trends in some of the more advanced of the developing countries.¹¹

Another Secretariat paper prepared for the Sion meeting presented the spread of protectionism in recent years as a consequence of the inadequate degree of international cooperation in an increasingly interdependent world. The Committee emphasised the high costs of protection for both importing and exporting countries and especially the harmful effects protection can have in the longer run on investment.¹² It benefits one sector of an economy at the expense of another, to the disadvantage of the nation as a whole and of foreign suppliers. Moreover, the Committee pointed out that the gains from protection are usually very visible and concentrated on the interest groups that demand shelter, while the larger losses are more generally and thinly spread. Increased interdependence had brought greater exposure to shocks from outside and thus, in the absence of closer coordination of national economic goals and policies, could give rise to instability. But to oppose the process of integration in the world economy by using protectionist measures, as a means of regaining a greater autonomy in economic decisions, would involve too high a cost in terms of the utilisation of resources and pose a major threat to the international financial system and to the future of the world economy. In any case it is not a possible course of action for small, open economies, the Committee concluded.

At the October meeting the Committee discussed labour market developments. The unemployment rates remained low in most EFTA countries, though not in Finland and Portugal, and the Committee noted that the average rate for EFTA countries had been about half the OECD average throughout the previous ten years. Employment was found to have increased on average by 0.5 per cent a year in the EFTA countries from 1973 to 1983 whereas it declined by 0.11 per cent in the EC over the same period but grew by 1.71 per cent in the USA and by 0.87 per cent in Japan. For most of that period, though not for the recovery in 1983-84, wage moderation and greater labour market flexibility were considered to be the main reasons for the ability of the US economy to absorb a rapidly growing labour force. By contrast, real wages had grown faster in most of Western Europe and this, combined with lower mobility and less ability to adjust production structures, helped to limit economic growth. The current recovery showed clearly the role of demand in promoting growth. In the United States expansionist policies boosted demand, considerably increased employment and reduced unemployment, while in Europe tight economic policies constrained demand and held back the recovery. So far as the EFTA countries in general are concerned, they were able, unlike the EC, to raise their employment levels in part because of their greater econ-

¹¹ See also: 'The EFTA countries' trade and trade policies vis-à-vis the less developed countries', Occasional Paper No. 5.

¹² The part of the Secretariat paper on the costs of protection was the basis for an article in EFTA Bulletin 3/84.

omic growth. Except in Sweden and Switzerland demand and output grew faster in EFTA than in the EC. Demand from the public sector was an important element in the growth of employment, especially in the Nordic countries and to some extent in Austria. Moreover, during the ten year period there was a greater use of part-time employment and as a result the number of people in employment rose. Subsidies had helped to keep up employment in some branches of industry, though at the cost of insufficient structural adjustment. In its conclusions the Committee put great emphasis on the need to reduce government aid for industry, to moderate wages and thus to bring about a better balance between production structure and wage costs.

At the request of the Council the Committee considered how best to carry out an in-depth study of the reasons for, and the economic effects of, the various kinds of government aid currently in use. It found that the task would require a thorough assessment of the main economic effects of government aid and an empirical investigation of the aid measures applied within EFTA. The Committee recommended that the study should be undertaken by a working group of national economic experts on government aid. It was understood that the study would eventually be passed on to the Committee of Trade Experts to assist it when it considers whether there is any need to alter the treatment of government aids within EFTA.

The Committee reviewed the economic situation and prospects in Austria and Switzerland at its meeting in October.

The Committee on Technical Barriers to Trade

At the request of the Councils the Committee of Trade Experts examined the current organisation of EFTA's work on matters connected with technical barriers to trade and considered possible changes. It analysed the various organisational requirements stemming firstly from the participation of the EFTA countries in the procedure for the exchange of information on standards, and secondly from the recent increase in activities in EFTA and the EC relating to the harmonisation of standards and technical regulations. Already, 70 per cent of the work of the Trade Experts was concerned with technical barriers to trade (TBTs) and the percentage was expected to increase. The conclusion drawn was that a single, new committee should be set up to deal with them.

The Council accepted this recommendation and decided in July to establish a Committee on Technical Barriers to Trade, as one of the elements in the practical follow-up to the Luxembourg meeting. Its mandate is to consider and make proposals to the Council on the prevention and removal of TBTs. The fields covered include questions concerning: the exchange of information on technical regulations and standards; the harmonisation of technical regulations and standards; and the reciprocal recognition of tests, inspections and certification. The Joint Council noted

the decision and the fact that, as in all other EFTA Committees, Finland would take part in the work of the Committee. The Committee is to meet as often as required.

It met twice before the end of the year, in September and December. Of particular interest were the preparations for a meeting in October with experts in this field from the services of the Commission at which a wide range of TBT matters were discussed and preparations begun for concrete projects for cooperation in the European free trade area. For the most part the members of the Committee are officials concerned with technical regulations and standards and representatives of national standards institutions.

The Committee of Trade Experts

The Committee of Trade Experts, which consists of officials from the EFTA countries, met three times during the year. A large part of its work concerned the preparations for, and the follow-up to, the Luxembourg meeting and the new EFTA work programme endorsed in Visby so far as trade policy matters are concerned. As was mentioned above, the predominance in its meetings of questions relating to technical barriers to trade and the cooperation in this field with the EC led ultimately to the establishment of a new committee to deal solely with those questions.

(a) *Standardisation policy in Europe*

After affirming that the EFTA countries share the Community's interest in strengthening the work on standardising and harmonising being done under the auspices of CEN and CENELEC, the European standards institutions, the Committee recalled that the EFTA countries had already decided to take part in the procedure for the exchange of information on standards. It then set out some general principles.

In the first place, the EFTA countries support the aim of a greater harmonisation of standards and technical regulations in order to eliminate and avoid barriers to trade. They are ready to consider positively any initiative in that direction and to pursue this objective in close collaboration with the EC. Secondly, they appreciate the work of CEN and CENELEC, expect them to retain their role as the common European institutions in this field, and are ready to strengthen their ties with them through formal agreements on cooperation. Thirdly, they will make every effort to ensure that their national standards bodies do provide the information necessary for the exchange procedure to function as it should. Fourthly, they are ready to collaborate with the EC in identifying sectors where harmonisation or standardisation should be attempted as a matter of priority. Finally, in the preparation of technical regulations the EFTA countries, whenever it is feasible, will define them with reference to national standards that are identical to European standards. These principles were subsequently endorsed by the Councils.

(b) Electrical equipment for use in potentially explosive atmospheres

In February the Committee presented a report to the Councils which suggested a solution to a problem concerning trade in electrical equipment for use in potentially explosive atmospheres. The problem concerns the lack of reciprocal recognition of certificates of conformity to standards. An ad hoc group of experts had determined that the same harmonised CENELEC standards were valid both in EFTA countries and in the EC. But most kinds of electrical equipment manufactured for this purpose in EFTA countries had to be tested again, when imported into the EC, in order to receive the necessary certification. The ad hoc group found that from a technical point of view it would in principle be possible for EFTA countries to meet the requirements of the EC's certification system. The Committee of Trade Experts concluded that the best solution would be an agreement between EFTA countries and the EC on the reciprocal recognition of certificates of conformity for electrical equipment of the kinds concerned. The conclusion was accepted by the Councils and a memorandum to this effect was handed over to the EC Commission in the same month. The proposal was later discussed at meetings between EFTA and EC experts on technical barriers to trade.

(c) Other trade policy matters

Other subjects considered by the Committee during the year included the annual review of the "INST" procedure, the internal notification procedure by which the EFTA countries inform each other, in advance, of plans to introduce new technical regulations, or amendments to old ones, which could constitute technical barriers to trade. The Committee proposed the following amendments to the procedure, which were subsequently accepted by the Councils: the form for notifying such matters to GATT can also be used if, as the INST system requires, the form is accompanied by a summary of the regulation in English and the full text in the original language; certification systems should also be notified; and there should be a sufficient time limit for comments.

The Committee also conducted the annual review of price compensation measures applied by five of the EFTA countries under the provisions in the Stockholm Convention relating to processed agricultural products.

(d) Working party on regional policy

The working party established in 1983 to study the trade-related aspects of regional policy completed its report in April. Its main conclusions were the following.

The history of EFTA, and the reduction of trade barriers between the EFTA countries and the EC, showed that regional policy to stimulate the industrial development of weaker regions is, under certain conditions, compatible with trade liberalisation. In the previous ten years such factors as slower economic growth, structural problems in several industries and the emergence of newly industrialising countries had helped to aggravate

regional problems, especially in areas dependent on one branch of industry or very few branches. The operation of the free trade system in Europe seems in itself not to have created regional problems. The problems in fact are only partly associated with trade and to a large extent arise from delayed reactions to structural pressures.

The working party found that regional development policies could be justified not only on social grounds but also for economic reasons, particularly when the policies can establish more viable and efficient production structures over the long term.

From a consideration of a number of case studies submitted by national delegations the working party concluded that the regional policy measures used had not produced any significant distortion of the conditions of international trade. It was, however, recognised that under certain circumstances regional or sectoral policies directed to the support of specific industries might have protectionist results.

Since regional policies do have international implications, the working party discussed the desirable features of such policies from an international point of view. The policies should naturally have a regional bias but should not discriminate between particular industries or combinations of factors. Apart from providing for economic and social infrastructures they should aim to improve the general economic climate of a region, develop its indigenous economic potential, attract new firms and industries, stimulate innovation and encourage dynamic business activity. Support for the reconstruction of existing industries ought to be temporary and should be restricted to cases where the firm or industry can again become viable without a need for continuing assistance.

Finally, the use of regional policies can play an important role in easing social and employment difficulties and thereby help to prevent the build-up of protectionist pressures. The active use of correctly designed regional policies may thus, the Committee concluded, be important as part of a policy to safeguard liberal or free trade.

The Committee of Origin and Customs Experts

The Committee of Origin and Customs Experts, which advises the Councils on matters concerning the origin rules in EFTA and the virtually identical rules in the free trade agreements, met six times during the year. It advised the Councils on the origin and customs questions that should be included in the work programme and also on all matters relating to the origin rules that are dealt with elsewhere in this report.

Another important item on the Committee's agenda was its continuing study of the implications for the origin rules of the introduction, due in 1987, of a new customs nomenclature worked out in the international Customs Cooperation Council (CCC). The present CCC nomenclature is the basis for the definition of originating products and for Lists A and B in Annex B to the Stockholm Convention and it will be replaced by the new

harmonised nomenclature once that is in force. The aim is to ensure that the change will not alter the coverage of EFTA's free trade rules or those of the European free trade system. An ad hoc group of experts was set up to prepare for the transition and had its first meeting in October.

In June Portugal informed the Committee that from 1 October it would introduce the simplified procedure for the issue of EUR. 1 certificates. Under this procedure, used by the other EFTA countries, the national Customs authorities may simplify the issue of these certificates of origin in the case of exporters who make frequent shipments and who offer all the guarantees necessary to verify the originating status of the products.

As usual, the Committee considered a number of proposals, suggested by individual EFTA countries or by the EC, for amendments to the specific rules for particular products to adapt the rules, when necessary, to changes in manufacturing processes.

The Consultative Committee

The Consultative Committee, which brings together representatives of industry, commerce, trade unions and other economic interest groups in the EFTA countries, met in Geneva on 2 and 3 April, in Visby on 21 May and in St. Gall on 10 and 11 September. As usual, the chairman in each case was the current chairman of the Councils at ministerial level. And, as in each of the previous five years, ministers from all the EFTA countries took part in one of the meetings, in this instance the one in Visby. There was also a meeting, in Berne on 18 and 19 October, of delegations from the Committee and from its closest counterpart in the EC, the Economic and Social Committee.

Both Committees adopted the text of a message to be transmitted to the joint EFTA-EC ministerial-level meeting in Luxembourg on 9 April. The text recalled that the EC and EFTA together formed the largest single industrial market in the world and accounted for about forty per cent of world trade. The unity of the market was, however, still impaired by non-tariff barriers. The easing of border formalities and the adoption of common standards were therefore considered by the two committees as priority tasks.

They called for increased cooperation between the EC and the EFTA countries. This cooperation ought to take place on a pragmatic basis and should respect the institutional differences between the two groups of countries. There should be regular exchanges of views on ways and means of removing all non-tariff barriers to trade within the European free trade system, simplifying origin rules and border controls, and harmonising or applying common standards and technical regulations.

Finally, there should be a continuing dialogue, in which employers and trade unionists would have a role, on how to bring about an economic revival and reduce unemployment in Europe. A concertation of policies on innovation, on the development of new technologies, and on structural adjustment to take advantage of the whole Western European market, would be particularly valuable, the Committee concluded.

Preparations for the meeting of the Committee in which trade or economics ministers would take part, just before the Visby summit meeting, were the other main subject at the Geneva session. Discussions on a possible programme for the removal of non-tariff barriers to trade, and on the financial situation of the developing countries and its impact on trade relations with the EFTA countries, provided some of the content for a statement to be given to the summit meeting on behalf of the Committee.

Alluding to the increasing economic interdependence, both in Europe and world-wide, of national economies, the Committee repeated its recommendation that there should be a greater concertation between the EFTA countries and the EC within the free trade area and in relation to other international organisations. On technical barriers to trade the Committee called for improvements in EFTA's internal procedures or negotiations with the EC on i) procedures for notifying new technical requirements, ii) reciprocal recognition of tests and inspections, iii) cooperation on European standards and the harmonisation of technical regulations, iv) the creation of a European data base for technical regulations, to which firms would have access, and v) the elimination of any obligation to mark the origin of products or, failing that, the establishment of a code for origin marking. There were also proposals for cooperation with the Community to simplify origin rules and frontier formalities, to improve the procedures for notifying new government aid measures that might affect trade, and to abolish export credit subsidies.

With regard to the developing world the Committee urged the EFTA countries to state that they are prepared to improve the access of developing countries' exports to the EFTA markets. This could be done by such means as extending the preferential treatment given under Generalised System of Preferences (GSP) schemes to products not yet covered by them, reducing any remaining duties on products entitled to GSP treatment, and reducing the number of quotas on imports from the developing countries. Actions of this kind should in particular help to increase the liberalisation of trade in textiles and clothing and in agricultural goods. The Committee advocated special measures in favour of the least developed countries. Moreover, it contended, the EFTA countries should commit themselves to an acceleration of the tariff cuts still to be made under the Tokyo Round agreement. They should declare that they would continue to show great consideration for the developing countries in policy discussions in the larger international organisations concerned with economic affairs. Finally, the Committee stressed the need for an economic climate which would encourage long-term capital flows into the developing countries, and asserted that the better placed of these countries should be integrated more fully into the multilateral trading system.

At the Consultative Committee meeting in the presence of ministers in May the Finnish Minister for Foreign Trade, Mr. Jermu Laine, gave an account of the recent OECD ministerial meeting which he, together with the Finnish Minister for Foreign Affairs, Mr. Paavo Väyrynen, had chaired. His statement was followed by a broad-ranging exchange of views on the



General view of the Consultative Committee meeting in St. Gall on 10-11 September 1984.

conclusions of that meeting and on general features of the world economic situation.

Mr. Mats Hellström, the Swedish Minister for Foreign Trade who presided at the Committee's meeting in Visby and who had been one of the two co-chairmen at the joint meeting in Luxembourg, gave a report on that meeting. He pointed out that the declaration approved on that occasion was a stock-taking of ten years of fruitful cooperation and a catalogue of work to be done. The joint declaration had identified the various areas for cooperation in a more concrete manner than usual. In concluding his report Mr. Hellström expressed confidence that common ground could be found for implementing the declaration. He added that the support of the trade unions and industry, which had manifested their wish for cooperation before the Luxembourg meeting, was essential for intentions to be turned into reality.

That the Luxembourg meeting had been a success was the view expressed in various forms by all who spoke on this item. There was a promising action programme in relation to non-tariff barriers to trade. The declaration showed broad support for cooperation between the two groups in the economic policy field. The meeting was a success because it confirmed the political determination to strengthen and broaden the cooperation between all EFTA and EC countries. Political recognition had been given to the general free trade approach and to its positive economic effects.

The Committee reverted to its discussion of an action programme for the removal of non-tariff barriers to trade. A paper prepared by Mr. Erik Braunerhielm of the Swedish Federation of Industries and Mr. Jürg Zeller of the Swiss Federation of Importers and Wholesale Traders, picked out four fields for priority action: the abolition of export credit subsidies within the European free trade system, the elimination of technical barriers to trade, the introduction of unified documents for Customs purposes, and the improvement of the rules of origin.

In September the first substantive item for discussion concerned the outcome of the Visby summit meeting and the EFTA work programme. As chairman of the Consultative Committee Mr. Kurt Furgler, Head of the Department of Public Economy in Switzerland (Swiss Minister of Economic Affairs), informed the meeting that the EFTA countries had agreed to treat four areas as priorities: the abolition of technical barriers to trade, the facilitation of border formalities, the introduction, as envisaged by the EC, of a single trade document, and the simplification of the origin rules. Many aspects of current or possible cooperation with the EC were discussed in the debate that followed. At the close of the discussion the chairman said that he would forward to the Councils the proposals made with reference to the work programme. He observed that the commitments undertaken in Luxembourg by the EFTA and the EC governments now had to be put into reality for the benefit of Europe.

The Committee received a report from the chairman of its Economic and Social Sub-Committee, Mr. Werner Muhm, of the Austrian Trade Union Congress. He pointed out that the sub-committee's study on the economic interdependence of the EFTA countries and of the European Community had to a large extent been overtaken by the work being done in connection with the follow-up of the Luxembourg and Visby declarations. The Committee accepted his proposal that the circulation of the reports already submitted by the national delegations should be considered, in those circumstances, as the completion of its mandate.

The eleventh joint meeting between delegations from the Consultative Committee and the Economic and Social Committee of the EC was held in Berne on 18 and 19 October.

A wide-ranging discussion on the elimination of non-tariff barriers to trade showed a consensus that it would yield greater freedom of trade and would make it possible for the maximum benefit to be derived from a genuine European home market. Technical barriers to trade seemed to be the easiest of non-tariff barriers to tackle and action should begin there. It was to be hoped that governments would attack the problems involved with vigour.

From a discussion on the GATT rules for world trade it emerged that there was a clear interest in both groups of countries in strengthening the GATT system. Many speakers referred to the possibility of a new round of negotiations in GATT, most of them favouring a new round, but in many cases only if immediate problems are dealt with first, including further action to implement the GATT work programme of 1982.

Committee of Members of Parliament of the EFTA Countries

The Committee of Members of Parliament of the EFTA Countries met in Vienna on 3 and 4 May. Mr. Alfred Teschl (Socialist, Austria) was elected chairman in succession to Mrs. Jutta Zilliacus (Swedish People's Party, Finland). Mr. Tómas Árnason (Progressive, Iceland) was elected vice-



General view of the Consultative Committee meeting with the Economic and Social Committee of the EC in Berne, on 18 and 19 October 1984.

chairman. The Committee has a consultative role within EFTA and serves as a channel of communication between the Councils and parliamentarians in the EFTA countries.

The first substantive item on the Committee's agenda was the preparation of a message on the future role of EFTA, to be delivered to the EFTA summit meeting later in the same month. The statement began with an expression of satisfaction at the achievement of a free trade area embracing the EFTA countries and the European Community. But then it noted that there had been less success in the attempt to promote other objectives of the Stockholm Convention such as a sustained expansion of economic activity, full employment and increased productivity. Since unemployment in Western Europe was four times greater than ten years earlier, and was likely to continue to increase if the current improvement in economic trends was not sustained, every effort had to be made to reduce unemployment.

Convinced that the objectives mentioned above could be realised only by safeguarding and strengthening the open multilateral trading system centred on GATT, the Committee urged the EFTA governments to resist protectionist pressures. Confidence-building measures, such as the acceleration of the remaining Tokyo Round tariff cuts, should be undertaken as soon as possible. There should also be a substantial roll-back of protectionist pressures. The EFTA governments should support the continuation of the North-South dialogue, both to encourage development and to help towards a greater integration of developing countries in the world economy.

Turning to EFTA's relations with the European Community, the statement recalled that the free trade agreements had led to the creation of the

largest single market for industrial products in the world and constituted an important factor of stability in times of economic crisis. The Committee expressed the great importance of expanding their cooperation in such areas as the simplification of origin rules, the dismantling of technical barriers to trade and the simplification of border formalities. Efforts should be made to render the implications of government aid measures more evident and to remove aids that distort trade. Cooperation with the EC in technical and scientific research was considered essential by the EFTA parliamentarians.

The parliamentarians expressed great satisfaction at the joint declaration adopted at the joint ministerial-level meeting in Luxembourg. The declaration was seen as an expression of the political will of all the countries concerned to create the necessary conditions for the joint achievement of a European economic area with full free trade in industrial goods. Progress here would make a contribution to economic recovery.

On cooperation within EFTA itself, the Committee urged the governments to make better use of the Association as a forum for intensified exchanges of information, for consultations and for coordination on all matters of common interest, including the work being done in other international organisations such as GATT and the OECD.

Finally, it was noted that the Committee served as an important link between EFTA and the national parliaments. The Committee members could use this link to encourage cooperation between the EFTA countries in two ways: by keeping their colleagues better informed about the need for European cooperation, and by strengthening the support for their governments on fundamental free trade issues. The parliamentarians accordingly expressed their interest in closer and more regular contacts with ministers.

These views were promptly conveyed to the EFTA governments. The substance of the statement was also presented orally by the chairman of the Committee to Mr. Olof Palme, the Swedish Prime Minister, in connection with the EFTA summit meeting in Visby on 23 May. All the issues raised by the EFTA parliamentarians were mentioned in the summit declaration, in which the Heads of Government and Ministers of the EFTA countries also stressed the importance of the contribution which the Committee of Members of Parliament, like the Consultative Committee, makes to the growth of cooperation within the Association.

In the Committee's discussion on the activities of EFTA, based on the 23rd Annual Report, comments were made on the question of government aids; on cooperation with Yugoslavia; and on a report on the trade-related aspects of regional policy which had been drawn up by a working party of the Committee of Trade Experts, partly in response to a proposal made by the Committee of Members of Parliament in 1982.

The Committee was informed of the findings of a working group set up to review the working methods of the Committee. The group had expressed its general satisfaction at the way in which the Committee



General view of the meeting of Members of Parliament in Vienna on 3 and 4 May 1984.

operates but made some proposals to improve the preparations for meetings.

Another working group met in Strasbourg on 1 October to prepare for the next meeting of the Committee, which is to be held in Reykjavik in June 1985, for the forthcoming joint meeting of delegations from the Committee and the European Parliament, and for the participation of the Committee in the celebration of EFTA's 25th anniversary in May 1985.

External Relations

The EFTA countries continued to make use of the opportunities provided by the EFTA relationship for consulting each other on general trade matters and on other issues related to the objectives of the Stockholm Convention. These consultations were especially frequent and wide-ranging in the case of their cooperation with the European Community, their closest trading partner, but they also covered their particular links with Spain and Yugoslavia and a variety of aspects of international economic affairs.

Relations with the European Community

The extent and variety of the trade and economic ties with the EC explains the closeness of the consultations between the EFTA countries on the state and development of their cooperation with the Community. Directly and indirectly, these ties have been strengthened greatly by the bilateral free trade agreements. A landmark in the relationship between the EFTA countries and the EC came with the final dismantling at the end of 1983 of the tariffs on industrial goods traded between them. That occasion was marked in April by the Luxembourg meeting (see pages 5-8) at ministerial level between the EFTA countries and the European Community and its members. In a comprehensive declaration adopted at that joint meeting general objectives were set for the future development of cooperation between them, both under the free trade agreements and outside them. The full text is reproduced in the Appendix.

The establishment of the world's largest free trade system in the eleven years of operation of the free trade agreements was hailed in the declaration as a major element in the considerable growth in trade in Western Europe. The areas in which action was seen as necessary to the aim of creating a dynamic European space include: the free circulation of industrial products within the free trade system; the growth of cooperation in research and development and in such fields as transport, agriculture,

fisheries and energy; the attempt to concert their policies with the aim of strengthening the current economic recovery and reducing unemployment. Finally, closer cooperation between the EFTA countries and the EC will make it easier for Europe to create the conditions for economic growth and to play a more important role in the world.

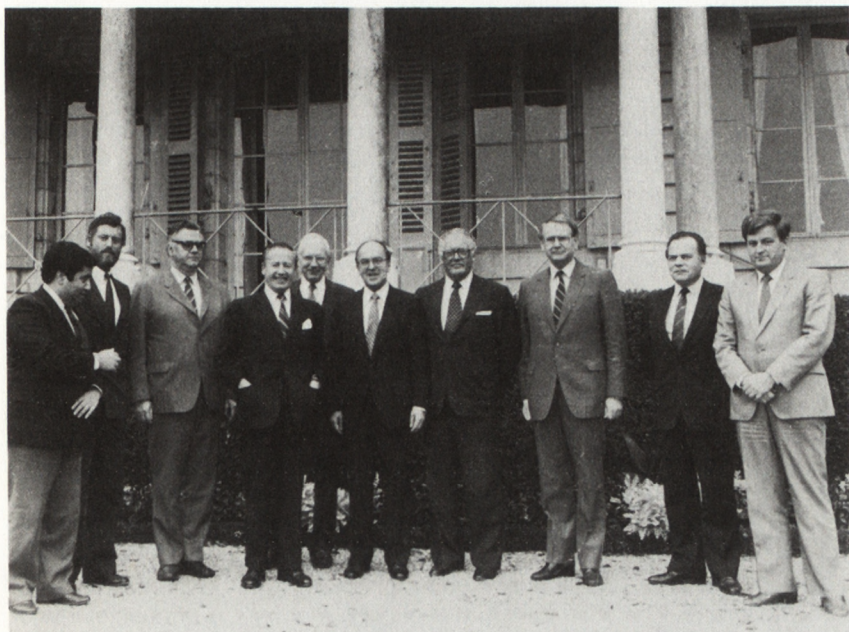
When the EFTA summit meeting was held in May the EFTA governments recorded in the Visby Declaration, which is given in full in the Appendix, their willingness to explore, with the EC, practical arrangements to put into effect the principles agreed in Luxembourg. They recalled the common determination to eliminate the remaining hindrances to free trade between EFTA and EC, and the EC's efforts to strengthen its internal market, as important contributions to progress towards a genuine Western European home market for industrial goods.

The first priorities selected for cooperation were technical barriers to trade, simplification of border formalities and trade documentation, and simplification of the origin rules. As a first organisational step in extending the cooperative effort to eliminate technical barriers to trade the EFTA Councils established the new Committee to deal with those matters.

High officials from the EFTA countries and the Commission met in Brussels in September for a first discussion on the implementation of the Luxembourg declaration. They agreed on a number of steps to advance cooperation in the priority areas. There were to be meetings of experts from the EFTA countries and the services of the Commission. The expert groups were instructed to report on their progress to a second meeting of high officials in spring 1985 at which there would also be a discussion on the implementation of the Luxembourg declaration in other fields such as research and development. When recent developments in relations with the EC were reviewed at the EFTA ministerial meeting in November the ministers found that the arrangements for contacts with the EC provided an improved basis for cooperation. In connection with that meeting there were informal talks between the EFTA ministers and Mr. Gaston Thorn, President of the EC Commission, and Mr. Haferkamp, Vice-President.

There were meetings of the Joint Committees that administer the free trade agreements towards the middle and towards the end of the year. The bilateral joint committees between, respectively, Austria, Finland, Iceland, Switzerland and the EEC met in June or July. In the same period there were high level meetings between Norway and the EC and Sweden and the EC. Towards the end of the year there were meetings of all the bilateral joint committees with the EEC and (with the exception of Iceland) the ECSC. Since Portugal was engaged in negotiations for membership of the EC its joint committee did not meet during the year. At all these meetings general satisfaction was expressed at the working of the agreements and emphasis was put on the need to keep up the momentum in developing the cooperation within, and outside, the framework of the free trade agreements.

There were frequent informal contacts and exchanges of information between experts in the EFTA Secretariat and in the services of the EC



EFTA Ministers, EC Commission President meet in Geneva: Joaquim Ferreira do Amaral (Portugal), Holger Bauer (Austria), Matthias A. Mathiesen (Iceland), Gaston Thorn (President, Commission of the European Communities), Per Kleppe (Secretary-General, EFTA), Kurt Furgler (Switzerland), Wilhelm Haferkamp (Vice-President, EC Commission), Asbjørn Haugstvedt (Norway), Jermu Laine (Finland), Mats Hellström (Sweden).

Commission. In March there was an informal meeting in Brussels in which representatives of the EFTA Secretariat and officials from the services of the EC Commission exchanged information on developments in a wide range of fields of common interest.

Relations with Spain

There was a meeting in June of the EFTA-Spain Joint Committee which supervises the implementation of the multilateral trade agreement between the EFTA countries and Spain.

In its examination of the general development of trade between the EFTA countries and Spain the Joint Committee noted that there had been a decline in trade in 1983. On the basis of Spanish trade statistics EFTA's exports to Spain had fallen by 3.7 per cent and its imports from Spain by 10.9 per cent. The decline was considered to be largely attributable to cyclical factors. The Spanish delegation expressed the hope that a better balance would be achieved in Spain's trade with the EFTA countries.

The functioning of the agreement, which has been in force since 1980, was reviewed. It was felt that on the whole very few problems had arisen during the four years although the imbalance in trade between Spain and Portugal was still regarded as unsatisfactory. At a Portuguese-Spanish summit meeting in November 1983 the two countries had agreed that this imbalance should be reduced as a step towards the harmonious development and strengthening of the relations between them. The special provisions concerning trade between the two countries, contained in Annex P to the agreement, were accordingly discussed, particularly since Portugal and Spain were engaged in bilateral talks on the provisions to be applied after 30 June 1984 in the light of their prospective membership of the EC. As an interim measure the Joint Committee agreed in June that there would be no change until it decided otherwise. Later discussions led the Joint Committee to decide, by a decision adopted by written procedure in December, that the same provisions—that is, those that governed trade between Portugal and Spain during the first phase of Annex P—should remain in force until both sides had reached an agreement but in no case beyond 31 December 1985.

In the Joint Committee there were the annual exchanges of information on government aids, on the relaxation of the Spanish quotas on the import of certain industrial products and on Spain's tariff quotas on the import of cars and lorries. The Joint Committee also conducted the annual review of the development of trade in fish and fishery products.

It was noted that the agreement had achieved its first goal: the level of trade liberalisation between the EFTA countries and Spain was the same as that between Spain and the European Community. The ultimate objective is to facilitate the completion of the European free trade system through the accession of Spain to the EC.

The Spanish Delegation informed the Joint Committee of the state of the negotiations on the conditions for Spain's membership of the EC. The progress achieved was noted with satisfaction by the EFTA countries. The EFTA spokesman and several of the EFTA delegations stressed that the accession process must not lead to any discrimination against the EFTA countries with respect to products covered by their free trade agreements with the EC. The Spanish Delegation agreed that non-discrimination should be a guiding principle. It indicated, however, that special arrangements, which in its view would not affect this principle, might be necessary for certain particularly sensitive products.

Relations with Yugoslavia

The Joint EFTA-Yugoslavia Committee met in Lugano, Switzerland, on 31 October and 1 November. Its main aim on this occasion was to consider ways and means of implementing the joint ministerial declaration adopted by the EFTA countries and Yugoslavia at a meeting in Bergen in 1983.



Joint EFTA-Yugoslavia Committee meeting on 31 October and 1 November 1984 in Lugano. Mr. L. Baban, Head of the Yugoslav Delegation, Member of the Federal Executive Council, President of the Commission for Co-ordination of Economic Cooperation between Yugoslavia and EEC, EFTA and OECD.

An exchange of views on trade between the EFTA countries and Yugoslavia showed that there had been an improvement in the Yugoslav trade balance. EFTA statistics indicated that EFTA's imports from Yugoslavia had risen by 17.8 per cent in dollar value in 1983 while EFTA's imports from all sources had fallen by 4.5 per cent. The expansion in Yugoslavia's exports to EFTA considerably exceeded the increase in the dollar value of Yugoslav exports to all other main geographical areas. Exports from the EFTA countries to Yugoslavia declined by 10.4 per cent whereas to all destinations they had grown by 0.5 per cent. The Committee noted that a broadly similar trend was apparent from statistics for the first half of 1984. Yugoslavia's objective of continuing to increase and diversify its exports was supported by the EFTA countries. Both sides agreed to consider various possible ways of helping Yugoslavia to fulfil this objective.

The Committee reviewed the experience of two trade promotion seminars organised under its auspices. Each had been arranged to coincide with the holding of one of Yugoslavia's main trade fairs, one in Zagreb in September 1983 and one in Novi Sad in May 1984, giving the possibility of attracting Yugoslav businessmen who would in any case have been going to the trade fairs. More than a hundred of them took part in the Novi Sad seminar. The EFTA participants included government officials, businessmen and representatives of associations of importers. Since the Novi Sad trade fair specialises in agriculture the presentation of the main features of the markets of five EFTA countries was followed by workshops on agricultural products and machinery. The programme included ample time for bilateral contacts between Yugoslav and EFTA businessmen.

The main conclusions of the review in the Joint Committee were, firstly, that the seminars had served the purpose of giving representatives of Yugoslav enterprises information about the main characteristics of EFTA markets, and, secondly, that an ad hoc working party should consider what kind of marketing and trade promotion activities might be undertaken in the future.

On the promotion of industrial cooperation the Joint Committee decided that the group of legal experts on industrial cooperation should be reconvened once the revised Yugoslav law on joint ventures had been studied. The experts would up-date their report on Yugoslav legislation to take account of amendments in the laws on long-term production cooperation and on joint ventures, with the aim of providing better conditions for cooperation between Yugoslav and other enterprises. The group of legal experts will also be asked to make proposals for actions to stimulate industrial cooperation between enterprises in EFTA countries and in Yugoslavia.

Because of the recognised importance of tourism as a stimulus to economic development and as a source of foreign exchange, the Joint Committee is looking for ways of cooperating to promote tourism in Yugoslavia. It agreed at the Lugano meeting that the Yugoslav side should provide further information in this respect.

There was also an exchange of views on the possibility of cooperation in the field of transport. The discussion showed that all favoured closer contacts with each other in broader international contexts. It was agreed that experts from the EFTA countries and Yugoslavia would meet on the occasion of meetings of international bodies concerned with transport matters and would exchange views on road transport and transit questions.

Relations with international organisations

The EFTA framework continued to be used for consultations between the EFTA countries on matters of interest that were under discussion in other international organisations or international meetings concerned with the development of world trade. These included the General Agreement on Tariffs and Trade (GATT), the Organisation for Economic Cooperation and Development (OECD) and the International Monetary Fund (IMF). There was in particular a considerable increase in cooperation on GATT matters, especially through regular meetings in Geneva of the heads or deputy heads for GATT questions of the national delegations of the EFTA countries.

The biennial debate on the activities of EFTA took place in the Parliamentary Assembly of the Council of Europe on 8 May. As Chairman of the EFTA Councils at ministerial level Mr. Mats Hellström, Sweden's Minister for Foreign Trade, made a statement in the Assembly. At the close of the debate that followed, the Assembly adopted a resolution calling for

broad and more intensive cooperation between the EFTA countries, the European Communities and the other members of the Council of Europe, especially on economic and trade matters. Progress reports on EFTA's activities were presented to the Committee of Ministers of the Council of Europe on 10 May by Mr. Lennart Bodström, Sweden's Minister for Foreign Affairs and on 22 November by Mr. Pierre Aubert, Head of the Swiss Federal Department for Foreign Affairs.

The Secretary-General of EFTA was present at the meeting of the Economic Committee of the Nordic Council in February and at the Annual Meeting of the Nordic Council the following month.

There was a special liaison meeting in September between representatives of the EFTA countries, the EFTA Secretariat, CEN (the European Committee for Standardisation) and the EC Commission; and liaison meetings in May and October between EFTA and CENELEC (the European Committee for Electrotechnical Standardisation).

The European Trade Union Confederation (ETUC) was represented at the meetings of the Consultative Committee in April, May and September.

EFTA Trade: January 1983 to June 1984

After having stagnated in 1981 and declined by 2 per cent the following year, the volume of world trade recovered by 2 per cent in 1983 to its 1980-81 level, initiating a new phase of expansion in world commerce. While trade in agricultural products rose only slightly and trade in minerals, which had declined sharply in the previous two years, still fell by 1 per cent, trade in manufactures showed a definite recovery, rising by 4½ per cent.

In line with developments in the two preceding years, and in contrast with the general post-war tendency, the rise in world trade in 1983 was less than the increase in world production.

As the dollar continued to appreciate in effective terms, though by only about half its rise in the two previous years, the value of world trade expressed in dollars still showed a decline of 2 per cent, making it the third successive annual fall. This was mostly due to the 17 per cent reduction in the value of oil exports brought about by the fall in oil prices, but the contraction of 1 per cent in the exports of the industrial countries also contributed to this result. In contrast, the exports of the non-oil-producing developing countries and of East European countries increased by 2½ and 4½ per cent respectively. These two groups of countries managed to reduce their overall trade deficits for the second year in succession while the industrial countries, largely because of the widening trade gap of the USA, increased the imbalance of their trade account, and the oil exporting countries again reduced their trade surplus.

The 3 per cent recovery in world demand and output, supported almost entirely by the rise in production of manufactured goods, was the main factor behind the increase in the volume of world trade.

As in 1982 the combined exports of the EFTA countries did better than either world exports or the exports of the industrialised countries as a whole, since they showed a slight increase in dollar value, if only of 0.2 per cent. In contrast, the EFTA countries' imports recorded a contraction of 4.5 per cent, three times as much as that of the industrial countries'

imports. This was largely the result of the time lag which usually exists between the trade cycle in the EFTA countries and that in the major OECD countries and notably that of the USA. But EFTA exports fared better than its imports partly because the relative competitive position of the EFTA countries as a whole improved considerably after the devaluations in the Nordic countries in September 1982 and in Portugal in June 1982 and June 1983.

Thus the EFTA countries again increased their share in world exports, from 5.6 per cent in 1982 to 5.7 per cent in 1983, while their share in world population is only 1 per cent. Their imports represented 6 per cent of world imports. The imports of the seventeen countries of the European free trade system (EFTA + EC) accounted for 38 per cent of world trade and their exports 37 per cent of world exports, as in 1982.

Trade balances

In 1983 the EFTA countries' combined trade deficit fell for the third successive year to US\$5.7 billion or only slightly over one quarter of the deficit in 1980. In contrast with 1982 this reduction was entirely due to an improvement in the real trade balance and in particular to the nearly 8 per cent increase in the volume of exports as the terms of trade underwent a slight deterioration.

EFTA's overall trade balance improved because Norway's trade surplus more than doubled, Portugal's deficit was reduced and Sweden's trade balance moved from deficit to surplus. The trade accounts of Switzerland, Austria and Finland moved in the opposite direction, and Switzerland's deficit showed a 50 per cent rise to US\$3.5 billion.

As usual, the trade deficit with the EC accounted for the largest part of EFTA's import surplus. In 1983 the share of the deficit in trade with the ten EC nations rose again, to over four-fifths of EFTA's overall deficit. As in 1982 EFTA ran a deficit in its trade with the OECD area and with Eastern Europe, and a surplus in trade with the rest of the world.

Main developments in EFTA trade in 1983

The dollar value of EFTA exports to the OECD area rose by 2½ per cent in 1983 while exports to Eastern Europe and to the rest of the world fell. This reflects to a large extent the expansion of import demand in the industrial countries on the one hand and the restrictive import policies followed by both the developing world and the Eastern European countries on the other. Exports to the USA increased by nearly one-fifth as the EFTA countries became more competitive because of the depreciation of their currencies in relation to the dollar. Exports to Japan also did fairly well, rising by 12 per cent. Portugal and Iceland increased their total exports in 1983 more than the other EFTA countries.

As a group the EFTA countries reduced their imports from all major areas of the world. The greatest reduction was in imports from the "rest of the world"—that is, all areas apart from OECD and Eastern Europe—reflecting the general tendency for destocking which prevailed in the EFTA area throughout most of 1983.

Slightly over three-quarters of EFTA exports and 70 per cent of its imports consisted of manufactured goods. The weight of manufactures in total EFTA imports, which has been increasing in the last few years, rose again to 69.4 per cent in 1983 while the share of manufactured goods in EFTA exports, which had also been rising, fell slightly, to 75.7 per cent.

Trade within the European free trade system

As in the previous two years, about two-thirds of EFTA trade was done within the European free trade system in 1983. The combined value of the exports from each of the EFTA countries to all its partners within the system rose slightly to US\$68.7 billion or 65.9 per cent of total EFTA exports; imports from countries belonging to the free trade system amounted to US\$73.3 billion or 66.6 per cent of EFTA's overall imports.

As a group the EFTA countries continued to be the EC's most important trading partner. Their imports from the European Community accounted for more than one-fifth of the EC's exports to outside the Community area. So, as in the past, the seven EFTA countries imported more from the EC than the United States and Japan taken together. On the other hand sales to the EC came to some 60 per cent of EFTA exports to the outside world, and accounted for 18½ per cent of the Community's imports from non-EC countries.

Intra-EFTA trade

When measured by exports the dollar value of intra-EFTA trade fell by 3.3 per cent in 1983 to US\$14.5 billion, bringing the share of intra-area trade to 13.9 per cent of their total exports. Measured by imports intra-EFTA trade represented 13 per cent of total EFTA imports, which corresponds to a slight decline from last year.

Only Norway managed to increase its exports to the other EFTA partners in 1983. Austria, Finland and Iceland reported the sharpest declines in intra-area exports. As for imports, most EFTA countries reduced their purchases from their EFTA partners, Portugal and Iceland being those which reported the greatest declines in their imports from the EFTA area.

EFTA trade with the EC

EFTA's exports to the EC rose by 1.9 per cent in dollar value in 1983 while its imports from the EC went down by 2.9 per cent. The share of shipments to the EC in EFTA's total exports—more than 50 per cent in 1982—rose to 52 per cent in 1983. Most EFTA countries increased their exports to the EC. Iceland and Portugal, followed by Sweden, showed the highest rises. Sweden was the largest EFTA exporter to the EC, closely followed by Switzerland and Norway. These three countries accounted for over 70 per cent of EFTA's total exports to the EC.

When expressed in US dollars, EFTA imports from the EC declined by about 3 per cent, which compares with a fall of 4½ per cent in EFTA's total imports. So the imports from the EC as a share of EFTA's total imports also rose somewhat to reach 53.6 per cent in 1983. Only two EFTA countries (Austria and Switzerland) increased the value in dollars of their imports from the EC. The others, and especially Portugal, Iceland and Norway, reduced their imports from the EC in 1983. Switzerland, followed by Sweden and Austria, remained EFTA's largest market for EC products. Switzerland alone accounted for nearly one-third of the EFTA countries' imports from the EC in 1983 and the three countries taken together bought more than three-quarters of EFTA purchases from the European Community.

EFTA trade with the USA and Japan

The rise in the value of EFTA exports to the USA and Japan in 1983, of 19½ and 12 per cent respectively, contrasted with the virtual stagnation of total EFTA exports during the same year. This seems to be largely explained by the gain in competitiveness of the EFTA countries due to the depreciation of the EFTA currencies in relation to the dollar and the yen. The Nordic countries benefited from both the appreciation of the dollar in effective terms and the devaluation of their currencies, and recorded especially strong increases in their exports to the USA; Portugal sharply raised its exports to Japan. Only Austria reported a slight contraction in its exports to the United States and only Iceland recorded a fall in its shipments to Japan.

EFTA imports from the USA and Japan showed declines but so did imports from all the other major geographical areas. The fall in the dollar value of the EFTA countries' imports from the United States and from Japan was smaller than those from any other main area. Only Portugal and Switzerland, of the seven EFTA countries, raised their imports from the USA in 1983 while Austria, Finland and Switzerland increased theirs from Japan. Portugal, the EFTA country which most increased its exports to Japan, was also the EFTA country with the strongest decline in its imports from Japan.

EFTA trade with Eastern Europe

EFTA trade with Eastern Europe showed contractions in both directions. The EFTA countries' combined exports to the East European area fell by 4.3 per cent in dollar terms and EFTA imports from that area declined by almost 3 per cent. This contrasted with the 4½ per cent increase in the value of the overall exports of the Eastern trading area in 1983 but was lower than the fall in EFTA's total imports while EFTA exports to Eastern Europe did considerably less well than EFTA's exports as a whole. As a result the share of Eastern Europe in EFTA imports rose by 0.2 percentage points, to 8.3 per cent, while the participation of that area in EFTA's total exports fell by a similar percentage to 6.9 per cent.

Only Austria, Iceland and Norway reported increases in their exports to Eastern Europe and only Sweden an increase in imports from the same area. The greatest declines in imports from Eastern Europe among the EFTA countries were those of Norway and Switzerland, 15½ and 13 per cent respectively.

EFTA trade with the rest of the world

EFTA trade with the "rest of the world" showed the sharpest decline in both imports and exports. The EFTA countries' imports from the "rest of the world" fell by 14.4 per cent, which may be explained by the downward adjustment in the stock of raw materials and energy in most EFTA countries in 1983. EFTA exports to the "rest of the world" declined by 8½ per cent in dollar terms as a consequence of the general reduction of import demand in these countries associated with their balance of payments difficulties. As a result the participation of the rest of the world in total EFTA trade declined rather sharply in both imports and exports.

All EFTA countries except Switzerland recorded declines in their imports from the rest of the world and all of them except Iceland and Portugal falls in their exports to those countries.

EFTA trade in the first half of 1984

Reflecting the growth in international trade which started in the first half of 1983 and gathered pace through the first half of 1984, EFTA trade in the first six months of 1984 showed a clear improvement compared with the same period of the previous year. In spite of the continuing rise in the dollar exchange rate the value of the combined exports of the EFTA countries rose by about 7½ per cent in dollar terms.

EFTA imports also showed a positive development, increasing by 2.3 per cent in January/June 1984 compared with the same period of 1983. But this was significantly lower than the 13¼ per cent rise in OECD imports. This may be explained by the time lag in the EFTA trade cycle compared with that of the major OECD countries.

Exports to the USA showed a particularly sharp increase of over 40 per cent, exports to Japan exceeded by almost one-fifth those in the same period of 1983. As a reflection of the adjustment in their trade balances, EFTA exports to East European countries fell by 7½ per cent and those to the "rest of the world" showed only a marginal increase of 1.2 per cent. By rising 7.7 per cent, EFTA exports to the EC continued to grow faster than intra-EFTA trade. In contrast with EFTA exports to the USA, imports from the United States went down by about 8 per cent while imports from the "rest of the world" showed the strongest increase.

With exports rising three times as fast as imports the combined trade deficit of the EFTA countries fell to less than \$300 million, which is its lowest value for many years.

All EFTA countries increased their exports during the first half of 1984. Portugal and Norway showed the highest rises, followed by Sweden and Finland. Portugal and Finland reported declines in their imports in January-June 1984 compared with the same period of 1983. Only Iceland showed a fairly high increase (15½ per cent) in its imports during that period. All the other EFTA countries recorded import increases of less than 5 per cent, considerably below the average rise in OECD imports during the same period.

Table I

EFTA trade in 1983: in million US dollars

	EFTA	EC	USA	Japan	OECD	Eastern Europe	Rest of world	World
<i>Imports cif</i>								
Austria	1,513.2	12,146.0	652.2	678.4	15,247.9	2,028.8	2,094.8	19,371.5
Finland	2,229.9	4,305.1	730.8	701.6	8,212.7	3,665.1	978.2	12,856.1
Iceland	186.3	367.5	64.3	32.0	699.0	92.5	23.9	815.4
Norway	3,459.5	6,108.8	1,234.2	739.7	11,985.2	484.8	1,030.1	13,500.0
Portugal	483.5	3,286.9	1,160.7	235.7	5,746.0	125.2	2,383.0	8,254.0
Sweden	4,497.7	13,661.0	2,187.0	996.8	21,784.0	1,721.7	2,595.5	26,101.2
Switzerland	1,927.7	19,095.9	2,389.5	1,117.0	25,196.1	984.7	2,937.5	29,118.3
EFTA	14,297.8	58,971.2	8,418.7	4,501.0	88,870.9	9,102.9	12,042.8	110,016.6
<i>Exports fob</i>								
Austria	1,656.5	8,284.3	457.7	157.6	11,059.6	1,867.5	2,504.1	15,431.1
Finland	2,274.4	4,508.4	509.2	140.4	7,734.7	3,460.1	1,324.6	12,519.4
Iceland	111.4	259.2	211.9	21.0	632.4	59.8	56.2	748.4
Norway	2,492.1	12,507.7	767.9	175.5	16,293.5	218.7	1,467.2	17,979.5
Portugal	495.2	2,691.9	278.7	56.9	3,794.4	78.6	699.7	4,572.6
Sweden	5,313.4	13,360.2	2,430.7	397.3	22,519.3	698.7	4,223.6	27,441.6
Switzerland	2,172.2	12,589.3	2,197.0	718.6	18,973.5	773.9	5,848.2	25,595.6
EFTA	14,515.2	54,200.9	6,853.2	1,667.2	81,007.4	7,157.2	16,123.6	104,288.2

Percentage change from 1982

	EFTA	EC	USA	Japan	OECD	Eastern Europe	Rest of world	World
<i>Imports cif</i>								
Austria	0.7	1.6	-11.4	23.2	1.6	-6.5	-11.5	-0.9
Finland	-7.3	-3.5	-10.7	24.6	-3.4	-1.4	-16.0	-4.0
Iceland	-10.8	-15.0	-19.1	-27.6	-12.7	-4.6	-46.2	-13.4
Norway	-9.9	-13.0	-13.0	-22.0	-12.1	-15.5	-18.8	-12.8
Portugal	-25.2	-16.3	11.8	-27.9	-13.9	-1.9	-15.1	-14.1
Sweden	-2.6	-2.0	-7.0	-1.9	-3.0	11.1	-26.6	-5.2
Switzerland	-1.2	0.5	16.0	5.3	2.2	-13.1	2.0	1.6
EFTA	-5.8	-2.9	-1.0	-0.2	-3.1	-2.9	-14.4	-4.5
<i>Exports fob</i>								
Austria	-9.7	-0.6	-0.9	14.4	-0.7	7.1	-11.2	-1.7
Finland	-9.7	-1.2	22.9	0.2	-3.2	-7.9	-4.7	-4.7
Iceland	-14.7	15.8	19.8	-5.1	8.0	-3.8	34.4	9.3
Norway	16.4	-1.1	58.5	21.5	4.1	3.7	-14.8	2.2
Portugal	-2.7	12.5	8.4	48.0	11.1	-8.2	4.3	9.6
Sweden	-5.9	7.1	27.4	20.3	5.0	-14.1	-7.1	2.4
Switzerland	-2.7	0.3	8.0	6.5	1.0	-4.6	-9.0	-1.6
EFTA	-3.3	1.9	19.5	12.1	2.5	-4.3	-8.5	0.2

Table II

Trade balances of the EFTA countries

In million US dollars

	1977	1978	1979	1980	1981	1982	1983
<i>Imports</i>							
Austria	- 4,421	-3,841	- 4,759	- 6,887	- 5,195	-3,788	-3,940.4
Finland	+ 58	+ 70	- 158	- 1,460	- 220	- 241	- 336.7
Iceland	- 96	- 30	³ 37	- 71	- 131	- 188	- 67.0
Norway	- 4,162	-1,373	- 274	+ 1,537	+ 2,307	+2,137	+4,479.5
Portugal	- 2,932	-2,730	- 3,057	- 4,667	- 5,602	-4,846	-3,681.6
Sweden	- 1,031	+1,233	- 1,006	- 2,496	- 305	- 673	+1,340.4
Switzerland	- 361	- 291	- 2,830	- 6,718	- 3,702	-2,337	-3,522.7
EFTA	-12,945	-6,341	-12,121	-20,762	-12,848	-9,940	-5,728.4

Table III

Percentage shares of EFTA's imports in 1983

	EFTA	EC	USA	Japan	OECD	Eastern Europe	Rest of world	World
<i>Imports</i>								
Austria	7.8	62.7	3.4	3.5	78.7	10.5	10.8	100.0
Finland	17.3	33.5	5.7	5.5	63.9	28.5	7.6	100.0
Iceland	22.8	45.1	7.9	3.9	85.7	11.3	2.9	100.0
Norway	25.6	45.3	9.1	5.5	88.8	3.6	7.7	100.0
Portugal	5.9	39.8	14.1	2.9	69.6	1.5	28.8	100.0
Sweden	17.2	52.3	8.4	3.8	83.5	6.6	9.9	100.0
Switzerland	6.6	65.6	8.2	3.8	86.5	3.4	10.1	100.0
EFTA	13.0	53.6	7.7	4.1	80.8	8.3	10.9	100.0

Percentage shares EFTA's exports in 1983

	EFTA	EC	USA	Japan	OECD	Eastern Europe	Rest of world	World
<i>Exports</i>								
Austria	10.7	53.7	3.0	1.0	71.7	12.1	16.2	100.0
Finland	18.2	36.0	4.1	1.1	61.8	27.6	10.6	100.0
Iceland	14.9	34.6	28.3	2.8	84.5	8.0	7.4	100.0
Norway	13.9	69.6	4.3	1.0	90.6	1.2	8.1	100.0
Portugal	10.8	58.9	6.1	1.2	83.0	1.7	15.3	100.0
Sweden	19.4	48.7	8.9	1.4	82.1	2.5	15.4	100.0
Switzerland	8.5	49.2	8.6	2.8	74.1	3.0	22.8	100.0
EFTA	13.9	52.0	6.6	1.6	77.7	6.9	15.5	100.0

Table IV

Intra-EFTA trade in 1983

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

Importer	Austria	Finland	Iceland	Norway	Portugal	Sweden	Switzerland	EFTA
<i>Exporter</i>								
Austria		138.0	4.5	131.5	41.3	288.2	1,053.0	1,656.5
Finland	92.5		15.6	426.5	24.3	1,545.9	169.5	2,274.4
Iceland	1.1	7.8		5.3	46.0	8.8	42.5	111.4
Norway	60.7	349.0	60.6		55.5	1,819.5	146.8	2,492.1
Portugal	48.9	69.6	16.6	76.3		157.5	126.3	495.2
Sweden	312.7	1,599.5	60.8	2,772.8	119.7		447.9	5,313.4
Switzerland	1,053.5	216.3	8.2	199.7	186.2	508.4		2,172.2
EFTA	1,569.4	2,380.1	166.3	3,612.0	473.1	4,328.3	1,986.1	14,515.2

Percentage change from 1982

Importer	Austria	Finland	Iceland	Norway	Portugal	Sweden	Switzerland	EFTA
<i>Exporter</i>								
Austria		-11.8	-13.9	-13.5	-28.0	-20.4	-4.3	-9.7
Finland	6.1		-19.8	-33.6	-14.5	-1.4	-2.8	-9.7
Iceland	116.0	-26.1		4.3	-43.1	-7.9	75.4	-14.7
Norway	16.5	24.0	-11.7		10.0	14.6	45.8	16.4
Portugal	11.3	0.6	-20.1	3.1		-3.7	-8.1	-2.7
Sweden	-0.6	-8.2	-16.1	-2.2	-32.9		-11.2	-5.9
Switzerland	-0.5	-0.9	-2.7	-8.0	-15.3	-0.5		-2.7
EFTA	0.8	-3.9	-14.7	-8.0	-23.1	3.0	-2.7	-3.3

Table V

EFTA trade by main areas, January-June 1984

In million US dollars

	EC	USA	Japan	OECD	Eastern Europe	Rest of world	World
<i>Imports cif</i>							
Austria	802.4	6,069.8	343.9	340.3	1,091.3	1,285.0	9,932.7
Finland	1,158.6	2,210.2	304.9	367.6	1,560.5	572.9	6,174.7
Iceland	87.4	204.2	30.0	20.8	46.1	46.7	435.2
Norway	1,838.3	3,293.2	662.1	319.2	252.8	893.5	7,259.1
Portugal	192.9	1,435.4	656.0	92.5	56.6	1,564.1	3,997.5
Sweden	2,438.0	7,035.5	996.8	634.6	787.5	1,368.9	13,261.3
Switzerland	992.8	10,332.4	1,084.8	600.4	468.2	1,939.7	15,418.3
EFTA	7,510.4	30,580.7	4,078.5	2,375.3	4,262.8	7,671.2	56,478.9
<i>Exports fob</i>							
Austria	858.4	4,362.6	321.6	82.7	947.9	1,431.7	8,004.9
Finland	1,322.4	2,566.2	495.2	89.8	1,514.3	877.6	6,865.5
Iceland	55.4	135.7	89.4	10.5	45.3	27.9	364.1
Norway	1,277.1	6,898.7	524.0	147.9	87.7	865.8	9,801.2
Portugal	283.7	1,490.1	213.1	19.5	30.8	539.1	2,576.4
Sweden	2,777.8	7,388.2	1,689.5	210.6	378.9	2,795.4	15,240.5
Switzerland	1,102.8	6,859.5	1,211.8	424.7	352.5	3,386.7	13,338.0
EFTA	7,677.5	29,701.0	4,544.8	985.7	3,357.4	9,924.2	56,190.7

Percentage changes from January-June 1983

	EC	USA	Japan	OECD	Eastern Europe	Rest of world	World
<i>Imports cif</i>							
Austria	8.0	0.9	0.2	0.6	13.6	15.7	4.5
Finland	0.7	- 0.8	-23.1	8.6	1.8	- 4.3	- 1.1
Iceland	- 2.1	20.8	-14.5	19.7	53.5	30.4	15.5
Norway	- 0.3	4.9	7.6	-27.8	28.3	16.9	3.7
Portugal	-24.8	-20.2	- 1.8	-25.8	-22.8	3.9	- 9.7
Sweden	13.7	5.5	- 5.7	32.1	- 0.9	- 8.2	4.9
Switzerland	1.3	5.4	-17.6	0.1	-16.9	12.1	2.8
EFTA	4.2	2.6	- 7.9	1.5	2.6	6.0	2.3
<i>Exports fob</i>							
Austria	4.6	3.3	48.8	3.4	10.8	- 8.3	3.2
Finland	23.1	12.7	122.9	15.4	-18.8	10.9	8.9
Iceland	- 2.5	15.4	-12.4	262.1	3.7	-25.2	1.0
Norway	6.7	7.8	73.2	47.9	-13.1	7.9	10.1
Portugal	7.3	8.3	67.3	-20.7	-47.8	10.7	10.2
Sweden	- 0.9	8.2	40.7	- 1.3	5.6	9.5	9.2
Switzerland	1.8	7.9	21.2	28.2	1.2	- 5.3	5.1
EFTA	5.2	7.7	43.3	18.7	- 7.5	1.2	7.4

Appendix

The Luxembourg meeting: 9 April 1984

Ministerial meeting between the European Community and its Member States and the States of the European Free Trade Association

A meeting at ministerial level between the European Community and its Member States and the States of the European Free Trade Association was held on Monday 9 April 1984 at the Kirchberg European Centre, Luxembourg.

The meeting was chaired, for the Community, by Mr. Claude Cheysson, Minister for External Relations of the French Republic and President-in-Office of the Council, and, for the EFTA countries, by Mr. Mats Hellström, Minister for Foreign Trade of the Kingdom of Sweden and current ministerial chairman of the EFTA Councils. The Commission of the European Communities was represented by Mr. Wilhelm Haferkamp, Vice-President.

The participants adopted the following joint declaration at the end of the meeting:

1. Stressing the very special importance they attach to relations established by the Free Trade Agreements between the Community and the EFTA countries, Ministers of the Member States of the European Community and of the States of the European Free Trade Association and the

Commission of the European Communities met to take stock of more than a decade of cooperation in free trade, and to lay down orientations to continue, deepen and extend cooperation within the framework of, and beyond the Free Trade Agreements.

2. With the abolition, in early 1984, of the last remaining tariff barriers and quantitative restrictions affecting their bilateral trade in industrial products, the Community and the EFTA countries have attained the goal set more than ten years ago.

There has thus been established the largest system of free trade in the world, within which one quarter of world trade takes place, with over 300 million consumers, and which future enlargement of the Community will be sure to widen further. This achievement has been a major element in the considerable growth of trade between the European countries concerned. The results which have been achieved are a major success for European cooperation, particularly when one considers the economic difficulties and protectionist pressures which have faced us since the early seventies.

This development has contributed substantially to the progress towards economic recovery, and should lead to even further expansion of trade.

Ministers were therefore convinced of the importance of further actions to consolidate and strengthen cooperation, with the aim of creating a dynamic European economic space of benefit to their countries.

3. With this in mind, Ministers considered it essential to continue to oppose protectionist pressures and to pursue their efforts towards improving the free circulation of the industrial products of their countries, in particular in the following areas: harmonisation of standards, elimination of technical barriers, simplification of border facilities and rules of origin, elimination of unfair trading practices, State aid contrary to the free trade agreements and access to government procurement. In this regard the Community's efforts to strengthen its internal market are of particular relevance. Ministers are confident that, as in the past, it will prove possible to find well-balanced solutions based on reciprocity, in the spirit of the Free Trade Agreements.

4. Ministers stressed the importance of continued pragmatic and flexible cooperation between the Community and its Member States and the EFTA States beyond the framework of the Agreements. Such cooperation has developed over the years in numerous fields of mutual interest as a natural extension of ever-growing trade relations.

Ministers agreed to broaden and deepen such cooperation between the Community and its Member States and the EFTA States. Increasing economic interdependence between the Community and the EFTA countries calls, in particular, for cooperation in research and development. Ministers stressed the need to increase these efforts, for instance within the framework of COST and in organisations involving some of the countries concerned, and particularly to promote mobility for European research workers. They wanted particular attention to be given to certain industrial and technological fields of the future, such as telecommunications, information systems or the new audio-visual media.

5. Cooperation and/or consultations in fields such as transport, agriculture, fisheries and energy should be intensified.

Consultations, contacts or exchanges of information with regard to working conditions, social protection, culture, consumer protection, the environment, tourism and intellectual property are also envisaged, taking into account the work also pursued in other international fora, in particular the Council of Europe, and with due regard for their individual spheres of competence.

6. Ministers confirm the need to continue efforts to sustain and consolidate the economic recovery and to reduce the unacceptably high level of unemployment—which affects the young in particular and creates a major problem for the economies and societies in their countries—without rekindling inflation. They will seek to concert their policies in these fields. It is essential for both sides of industry to take an active part in this process.

7. Lastly, through closer cooperation, Europe will be in a better position to create conditions for growth and to play a more important role in the world, particularly by increasing contacts in the sphere of economic and monetary policy.

With this in mind, Ministers agreed to increase their consultations and exchanges of information on economic problems and current trade difficulties with a view to finding equitable solutions with their principal trading partners in particular, with the aim of strengthening the open and multilateral trading system. In this connection they recalled the commitments taken in OECD, GATT and other international fora.

They also agreed to increase their consultations on development questions, particularly in the context of the North-South dialogue, in order to achieve closer cooperation with the developing countries. They particularly stressed that there should be greater integration of the Third World into the multilateral trade system, and that problems of indebtedness should be tackled in an orderly way.

Ministers agreed to pursue these goals together both in international fora such as OECD, GATT, IMF, the World Bank and also bilaterally.

8. Ministers expressed their political will to work towards achieving these objectives.

Ministerial meeting of the EFTA Councils

Visby, 22 May 1984

The EFTA Councils met at ministerial level in Visby on 22 May under the chairmanship of Mr. Mats Hellström, Sweden's Minister for Foreign Trade.

Among the principal items on the agenda were the practical follow-up to be given to the meeting in Luxembourg last month of ministers from all the EFTA and EC countries, the activities of EFTA in the past six months, and a new work programme providing guidelines for intensified cooperation between the EFTA countries in a number of fields.

The work programme adopted by the ministers reflects both the results of the Luxembourg meeting and the increasing interdependence of national economies in the world today. It embodies the intention to intensify cooperation within the European free trade system on such matters as: simplification of the rules of origin in the free trade agreements and of the border formalities, elimination of technical barriers to trade, simplification of the trade documentation, research and development and an increase of transparency in the field of government aids.

The guidelines also provide for greater consultations within EFTA on trade policy matters and for closer contacts with the European Community in the same field when there is a common interest. Finally, the guidelines take account of the common interest in expanding trade with the developing countries and in increasing cooperation with Yugoslavia in line with last year's Joint EFTA-Yugoslavia Declaration.

Ministers received reports on the recent meetings of EFTA's Consultative Committee and of the Committee of Members of Parliament of the EFTA Countries. They considered that the views of these advisory committees, such as those in the statements addressed by them to the summit meeting of the EFTA countries (23 May), were a valuable contribution to the work of the Association.

Ministers extended the appointment of Mr. Per Kleppe as Secretary-General of EFTA and of Mr. Norbert Faustenhammer as Deputy Secretary-General.

The next meeting of the EFTA Councils at ministerial level will be held in Geneva on 5 and 6 November 1984.

Meeting of Heads of EFTA Governments and Ministers

Visby, 23 May 1984

Declaration

Objectives

Heads of EFTA Governments and Ministers meeting in Visby on 23 May 1984 underline the continuing importance of EFTA in European and global economic co-operation, pursuing the objectives laid down in the Stock-

holm Convention—sustained expansion of economic activity, full employment, increased productivity and rational use of resources, financial stability and continuous improvement in living standards, and the expansion of world trade and the progressive removal of barriers to it. They are determined to pursue these objectives, individually and collectively, in their internal EFTA co-operation, in their co-operation with the European Community and in the global context. In so doing they will build on the positive achievements of two decades of EFTA co-operation. They stress the need to intensify their co-operation in the present situation of increasing protectionist pressures.

Co-operation on global and international matters

Internationally, unemployment has assumed very serious dimensions. The EFTA Governments stress the need to strengthen and broaden the current international economic recovery, to make it lead to a reduction of unemployment. Against the background of increased international economic interdependence, the EFTA Governments attach great importance to intensifying international co-operation aimed at stronger and sustained economic growth without rekindling inflation, moderating exchange rate fluctuations, a speedier adjustment to new technologies and market conditions and a reduction of protectionist pressures. With this objective, the EFTA Governments support the work in the OECD aimed at a concertation of economic policies, recalling that even small but concerted steps can lead to substantial results.

The EFTA Governments give priority to the proper functioning and further development of the open multilateral trading system with GATT as its cornerstone. Protectionism in all its forms must be fought at all levels. No new protectionist measures should be introduced. The authority of GATT must be strengthened and the trend towards trade bilateralization reversed. GATT obligations must be fully respected. The EFTA Governments commit themselves to taking no restrictive trade measures outside GATT and expect their main trading partners to apply similar policies. They support the idea of a new round of multilateral trade negotiations in the framework of GATT but stress the need for thorough preparations. Substantive progress with regard to the GATT Work Programme should provide the appropriate basis for comprehensive new negotiations.

The EFTA Governments strongly support the efforts to achieve a roll-back of existing protectionist measures and commit themselves to working forcefully with their trading partners for an early dismantling of such measures, in particular those introduced outside GATT. They agree to accelerate the implementation of their remaining Tokyo Round tariff reductions beyond the measures announced at the recent OECD Ministerial meeting by also making the last tariff cut scheduled for 1 January 1987 one year ahead of time, expecting their main trading partners to do the same.

The EFTA Governments appeal for the maintenance of international tourism without restrictions, bearing in mind its importance for national economies as well as for human relations.

The EFTA Governments support a revitalization and strengthening of the North-South dialogue based on partnership. The problem of international indebtedness must be solved in an orderly way so that, with due regard to their development objectives, the developing countries concerned can gradually stabilize their economies, expand foreign trade and meet their international obligations. In this context the IMF and the World Bank institutions should take fully into consideration the importance of safeguarding and strengthening the open multilateral trading system. The EFTA Governments are determined to maintain and, wherever possible, improve market access for imports from developing countries, especially as regards the least developed countries. The individual schemes under the Generalized System of Preferences should be continued and improved. The EFTA Governments stress the need for developing countries to become better integrated into the open multilateral trading system.

The EFTA Governments will continue to implement the Declaration signed by their countries and Yugoslavia in June 1983 in order to expand economic co-operation with Yugoslavia.

The EFTA Governments support stable development of trade and other economic relations with East European countries and recognize the importance of the work of the Economic Commission for Europe in this regard.

Co-operation with the European Community

The EFTA Governments note with satisfaction that with the abolition, early in 1984, of the last remaining tariff barriers and quantitative restrictions affecting trade in industrial products, the goals set out more than ten years ago in the Free Trade Agreements have been attained. These Agreements have functioned well. The total foreign trade of the EFTA countries and the Community, which are each other's biggest trading partner, amounts to about 40 per cent of world trade. The objectives of the Vienna Declaration of May 1977 to expand trade and economic co-operation have also been pursued beyond the framework of the Free Trade Agreements.

The EFTA Governments underline the importance of the Joint Declaration adopted in Luxembourg on 9 April 1984 at the Ministerial meeting between the European Community and its Member States and the EFTA countries. Recalling that all parties were convinced of the necessity of prompt action to consolidate and strengthen co-operation, they will explore, together with the Community, practical arrangements for the follow-up of the Declaration to achieve its objectives.

The EFTA Governments regard the common determination expressed at the Luxembourg meeting to eliminate remaining hindrances to free trade between the EFTA countries and the Community and the Community's

efforts to strengthen its internal market as important contributions to the progress towards a genuine West European home market for industrial goods. The EFTA Governments strongly welcome this determination and expect that together with the Community ways and means will be found to improve the free circulation of industrial products.

In this context, the EFTA Governments recall the common determination expressed in the Luxembourg Declaration to simplify the rules of origin and invite the Community to find with them solutions in order to remove the present deficiencies. Moreover, border formalities and trade documentation should be simplified. Technical standards and regulations should be harmonized and European standards should be elaborated jointly. Reciprocal recognition of tests and certification should have broader application. Initiatives in all these fields should be taken promptly.

Other important objectives are the identification and elimination of government aids which are incompatible with the proper functioning of the Free Trade Agreements, access to government procurement, elimination of unfair trading practices, co-operation on patents and trade mark law, and dismantling of other non-tariff barriers to trade. Furthermore, the EFTA Governments are prepared to explore with the Community the possibility of agreeing on the elimination of export credit subsidies within the European free trade system.

The EFTA Governments stress the importance of continued pragmatic and flexible co-operation with the Community beyond the framework of the Free Trade Agreements and are interested in broadening and deepening such co-operation.

The EFTA Governments declare their interest in expanding with the Community consultations and co-operation, as appropriate, in areas such as economic and monetary matters, transport policy, trade in fish and agricultural products, energy, trade in services, environmental policies, working conditions, consumer protection, and North-South issues.

The EFTA Governments are prepared to intensify co-operation with the Community on efforts to improve the competitiveness of European industry within the open multilateral trading system. In this context, an area of substantial mutual interest is research and development, where special attention should be given to industrial and technological fields with particular potential for future development.

The EFTA Governments support increasing consultations and exchanges of information with the Community on trade policy matters with the aim of strengthening the open multilateral trading system.

Portugal's EFTA partners express understanding and sympathy for the reasons and objectives which have led Portugal to apply for Community membership. The EFTA Governments stress the need for a smooth transition and will continue to contribute to it. They also welcome the inclusion of Spain in the European free trade system as a Member of the European Community, this inclusion having been facilitated, inter alia, by the Agreement between the EFTA countries and Spain. In the transitional period non-discriminatory treatment must be secured.

The EFTA Governments underline the importance of EFTA and the Community taking into account, in the future as in the past, the special structure of the exports of Iceland.

Internal EFTA co-operation

The EFTA Governments stress the importance of the European Free Trade Association to them both for its beneficial effect on the functioning of their economies and for its role in wider international co-operation. They are resolved to strengthen and improve their co-operation on the basis of the Stockholm Convention.

In particular, they will continue to work for the abolition and prevention of trade-distorting non-tariff barriers to trade which may not be in accordance with the Convention, committing themselves to creating no new such barriers. They will work towards the reduction of trade bureaucracy.

The EFTA Governments will make increased use of EFTA as a forum for exchange of information, consultation and, when appropriate, co-ordination in trade and economic matters of common interest. In the perspective of increased activities on global and international matters and in co-operation with the Community, the EFTA Governments intend to expand their co-operation as required.

The EFTA Governments underline the importance of the contribution being given by the advisory bodies, the Committee of Members of Parliament and the Consultative Committee.

The EFTA Governments note with satisfaction the approval by the EFTA Councils of an EFTA Work Programme as guidelines for the future work of the Association. They underline the importance of its implementation for the pursuance by the Association of the objectives outlined in this Declaration.

Ministerial meeting of the EFTA Councils Geneva, 5 and 6 November 1984

Communiqué

The EFTA Councils met in Geneva on 5 and 6 November at ministerial level under the chairmanship of Mr. Kurt Furgler, Vice-President of the Swiss Federal Council and Head of the Federal Department of Public Economy.

Ministers noted that while the recovery in the United States had been strong, it remained relatively weak in Europe. Restrictive economic policies and structural problems have contributed to holding back the recovery in Europe and the number of persons unemployed, already very high, has continued to rise and causes serious concern. The reduction of inflation rates has, however, given many governments a greater flexibility in the pursuit of their economic policies. Slower world economic growth and continued high interest rates would pose serious problems especially for the debt-ridden developing countries. The way in which the problems of these countries are dealt with will have an important impact on global economic developments.

Ministers expressed deep concern about persistent protectionist tendencies, which have led to severe strains and uncertainty in international trade relations. These developments pose a threat to economic growth and must be resisted through determined multilateral efforts. Ministers stressed the importance of achieving a genuine roll-back of protectionist measures. As a confidence-building measure the EFTA countries have already taken steps to accelerate the tariff cuts of the Tokyo Round and would urge their trading partners to do the same. Further steps to restore confidence in the open trading system are however needed. Of particular importance in this context is the implementation of the work programme adopted at the 1982 GATT ministerial meeting. Further progress in carrying out the programme could help to lay the foundation for a new round of multilateral trade negotiations, a round which would have to be carefully prepared.

Ministers reviewed recent developments in the relations between the EFTA countries and the European Community. The meeting in Luxembourg in April of ministers from all EFTA and EC countries had laid down guidelines for further advances in cooperation within the world's largest free trade system. At the EFTA Summit meeting in Visby last May there was agreement that practical ways should be found, in conjunction with the EC, of implementing the Luxembourg Declaration, and especially of progressing towards the creation of a genuine Western European home market for industrial goods. Ministers found that the present arrangements for contacts between the EFTA countries and the EC provide an improved basis for effective cooperation. The removal of technical barriers to trade, the simplification of origin rules and customs documentation and the facilitation of border controls are priority tasks in this connection. Special emphasis should also be given to efforts to encourage cooperation in other fields of mutual interest, such as research and development in particular, as a means to better mobilizing the technological potential of Western Europe. As a general conclusion the EFTA ministers expressed their common determination to contribute actively to the follow-up of the Luxembourg Declaration in all fields.

Ministers welcomed recent progress in the negotiations for enlargement of the Community. They reiterated their understanding and sympathy for Portugal's application for Community membership. Ministers also welcomed the inclusion of Spain in the European free trade system. Noting

that the negotiations between the Community and Spain were entering a decisive phase the countries remaining in EFTA stressed that non-discriminatory treatment for EFTA countries on the Spanish market must be safeguarded also during the transitional period.

Turning to the internal activities of EFTA, Ministers noted with satisfaction that the guidelines contained in the wide-ranging work programme adopted at Visby were being put into effect step by step. They underlined the importance of giving special attention in the work of EFTA to the development of cooperation with the EC, and welcomed the intensification of the cooperation between the EFTA countries in connection with meetings in other international fora, especially GATT and the OECD. The recent setting up of the new Committee on Technical Barriers to Trade permits a greater concentration in the search for effective methods of reinforcing the free trade system. Ministers welcomed the support given by the Consultative Committee at its meeting in September to the work being done to translate into reality the commitments undertaken in Luxembourg and Visby.

Ministers were informed of last week's meeting in Lugano of the Joint EFTA-Yugoslavia Committee. Ministers noted with satisfaction that initiatives had been taken at the meeting with a view to a further strengthening of EFTA-Yugoslavia cooperation in line with the Bergen Declaration adopted in June last year.

At the invitation of the Austrian Government the next meeting of the Councils at ministerial level will be held in Vienna on 9 and 10 May 1985, and will be followed by a commemorative meeting to mark the twenty-fifth anniversary of the foundation of EFTA.

European Free Trade Association 1984

MEMBER COUNTRIES:

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ASSOCIATE: Finland

CHAIRMANSHIP OF THE EFTA COUNCIL AND THE JOINT COUNCIL OF EFTA AND FINLAND

January - June
July - December

Sweden
Switzerland

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Austria:	G. Reisch
Finland:	P. Rantanen
Iceland:	H. Hafstein
Norway:	M. Huslid
Portugal:	F. Reino
Sweden:	H. Ewerlöf
Switzerland:	P.-L. Girard

EFTA STANDING COMMITTEES

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

The arrangements introduced by EFTA

SECRETARIAT OF THE EUROPEAN FREE TRADE ASSOCIATION
GENEVA

March 1985

Overcoming technical barriers to trade

The arrangements introduced by EFTA

Health and safety are among the reasons why governments or other national authorities lay down regulations for the performance of a variety of kinds of product. Frequently the regulations differ from one country to another at least in the absence of internationally accepted standards, and the differences can be the more effective in restricting trade, although unintentionally, if conformity with the regulations has to be verified by some form of test or inspection.

A number of international arrangements for overcoming this problem were originally worked out within EFTA though they are now entirely independent of EFTA, and other countries may and do take part in them. The common feature of these arrangements is that they provide for a reciprocal recognition of the national tests and inspections. The effect is that the manufacturer of a particular product in one of the countries covered by a particular arrangement can have the product tested or inspected in his own country to confirm that the product meets the requirements of the country he wishes to export to.

In some cases the arrangement is in the form of a convention signed by sovereign states, and there are at present two of these conventions, one concerning the manufacture of pharmaceutical products and one concerning the hallmarking of articles of precious metals. In other cases the arrangement is an agreement between national regulatory authorities.

This report, prepared by the EFTA Secretariat which serves as the secretariat of all the schemes and conventions, gives a brief account of their state at the end of 1984 with some notes on relevant developments during that year.

Pharmaceuticals

Pharmaceutical Inspection Convention

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

Unlike the schemes, the Convention is an agreement between a number of states—ten when it first came into force in 1971 but now fourteen. The fourteen include countries in the EFTA area (Austria, Finland, Iceland, Liechtenstein, Norway, Portugal, Sweden and Switzerland), in the EC (Denmark, the Federal Republic of Germany, Ireland and the United Kingdom), and in Eastern Europe (Hungary and Romania).

The Convention applies to any medicine or similar product for human consumption which is subject to control under health legislation. It enables the Convention countries to exchange such information, obtained from inspections, as is necessary for the health authority in an importing country to be able to recognise inspections carried out in the country where the products are manufactured.

The Committee of Officials, which has the task of ensuring that the Convention works effectively and is applied in a uniform way, met in Frankfurt am Main in May and in Berne in November 1984. The main subjects of its work continued to be the formulation or up-dating of standards of good manufacturing practice for the pharmaceutical industry and the mutual training of the national inspectors responsible for seeing that the standards are observed in their countries.

A set of Guidelines for the Packaging of Pharmaceutical Products was adopted by the Committee in May and now forms a separate annex to the "Basic Standards of Good Manufacturing Practice" which provides a common basis of reference for the preparation and exchange of reports on inspections. Draft guidelines for good control-laboratory practice were the subject of a first discussion at the November meeting and have now been circulated to national pharmaceutical industry associations for their comments.

The Committee also discussed a draft guide for the preparation of inspection reports. The guide had been rewritten to take into account the content of the revised "Basic Standards" and of the up-dating of specific guidelines for some aspects of the production of pharmaceuticals.

A seminar on problems connected with the production of pharmaceuticals of biological origin that are used in human medicines was held in Frankfurt in May. The seminar was organised by the German Federal Ministry for Youth, Family Affairs and Health. The participants were inspectors from most of the Convention countries and also from Belgium, Canada, Spain and the USA.

Like most of the earlier seminars held under the auspices of the Pharmaceutical Inspection Convention, the Frankfurt one formed part of the continued effort to improve the mutual training of inspectors. This constituted the main item on the agenda at the Committee meeting in November.

Registration of pharmaceutical products

Another aspect of the reliability of pharmaceuticals is dealt with through an arrangement known as the PER scheme, in operation since June 1979, which concerns not the manufacture but the registration of pharmaceutical products. It can simplify the process of obtaining or granting authority to market a new product in more than one country and it aims at permitting the reciprocal recognition of evaluation reports. These are reports which evaluate the tests and scientific documentation that were submitted by the manufacturer when he first successfully applied for the registration of a particular new product. Though the evaluation of the tests and documentation is an essential condition for registration, the preparation of evaluation reports in a form that can be passed on from one national registration authority to another is a concept specially introduced for the purposes of the scheme.

The Committee established to supervise the scheme met in Oslo in May and in Geneva in December. On both occasions the main interest was in the formulation of guidelines for the preparation of evaluation reports. Particular attention was given to the work on this subject within the EC in order to ensure that both systems are compatible and will facilitate future cooperation.

At the end of 1984 the PER scheme was in force in Austria, Finland, Norway, Sweden and Switzerland. Officials from the pharmaceutical authorities of the Federal Republic of Germany attended both of the meetings of the Committee during the year as observers.

Hallmarking

The Hallmarking Convention—the Convention on the Control and Marking of Articles of Precious Metals, by its full name—provides for the first international common control marks to be applied by national assay offices to articles of gold, silver or platinum once the offices have tested the fineness of the metal or metals used. Articles marked with the Convention's hallmarks are accepted by any Convention country without further testing or marking.

The Standing Committee which supervises the operation of the Convention noted with satisfaction in January 1985 that the number of articles marked with the common control marks in 1984 had amounted to 653,103, a substantial increase on the previous year's total. It also

expressed satisfaction at the publicity given to the Convention at two important international jewellery fairs, in Basle and Birmingham.

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

The Convention, which first came into operation in 1975, is now in force in eight countries: Austria, Finland, Ireland, Norway, Portugal, Sweden, Switzerland and the United Kingdom.

The schemes for various types of equipment

Pressure vessels

The scheme relating to pressure vessels has been in operation since 1 January 1971 and is applied in nine European countries. It continued to give general satisfaction to the national authorities participating in it. They noted at a meeting in June that no new difficulties had occurred in the application of the scheme since they had met a year earlier.

The scheme applies to any static or transportable vessel for use on land which is intended to contain a fluid—liquid, steam or gas—at a pressure greater than atmospheric pressure. It does not apply to pressure vessels for use in nuclear installations which, in the event of any failure, might cause the release of radioactivity. The provisions of the scheme can be brought into play once the design of, and the calculations relating to, particular vessels intended for export have been found acceptable by the authority responsible for approving pressure vessels in the importing country. Then the complete range of tests required, apart from any that are normally carried out on installation, can be delegated to a testing body in the exporting country, provided that the testing body is recognised by the approval authority in the country to which the product is to be exported.

At the meeting in June the question of the qualifications required of welding supervisors was raised again. The matter is a basic one because the skills of these supervisors is of great importance for the safety of the vessels. After some discussion it was agreed that each of the participating authorities would circulate information about the training systems used for welding supervisors in their countries, the aim being to determine whether the systems are comparable.

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

Ships' equipment

In force since 1 January 1971, the scheme relating to ships' equipment is in operation in ten countries. It applies to any kind of equipment for ships, including life-saving and fire-fighting equipment, which is subject to the requirements and approval of a national authority.

Representatives of the participating authorities met in Geneva in September. They found that the scheme had continued to work in 1983 to their satisfaction and that no new difficulties had arisen in its implementation.

There was an exchange of views on the interpretation of the notions of "importing country" and "exporting country" in the scheme, at the request of the Yugoslav representative who suggested that Article 3 of the scheme was not being applied in the same manner by all the authorities. A proposal was made for amending the scheme in such a way as to arrive at a uniform interpretation.

It was agreed that the lists of common requirements for various items of ships' equipment, which are attached to the scheme, should be amended where necessary to take into account the more detailed testing requirements contained in the most recent amendments, due to come into force in July 1986, in the International Convention for the Safety of Human Life at Sea.

Work continued on common requirements for other items of ships' equipment. Final drafts of common requirements for hydrostatic release gear and for protective thermal aids have been circulated to the participating authorities for their formal acceptance, and work is in progress on inflatable work vests and immersion suits.

The ships' equipment scheme is in force in Denmark, Finland, the Federal Republic of Germany, Iceland, the Netherlands, Norway, Portugal, Sweden, the United Kingdom and Yugoslavia.

Gas appliances

The scheme relating to gas appliances covers any appliance that uses town gas, natural gas or liquefied petroleum gas and is subject to approval by a national authority. It has been in force since 1 August 1972.

In May representatives of the national approval bodies, who since 1980 had been meeting only every other year, decided that developments in the field of gas appliances made it desirable for the next meeting to be held after a year's interval. The forecast increase in demand for gas appliances in several European countries and the construction of a new natural gas pipeline in Finland was expected to lead to a growth in trade in the appliances. Moreover, once certain directives had been adopted in the EC—and later in the year the framework directive for gas appliances and a directive for water heaters were put into effect—they would stimulate

trade. So would the completion of work currently in progress in technical committees of CEN (the European Committee for Standardisation).

Reviewing the operation of the scheme the representatives noted that little use was being made of it still. Only two approval bodies had granted licences under the scheme in the previous year. In some instances, however, national test reports had been accepted in full or in part by foreign approval bodies on the basis of the simplified approval procedure.

The scheme is in force in Austria, Denmark, Finland, Iceland, Italy, Norway, Portugal, Sweden, Switzerland and the United Kingdom.

Agricultural machines and tractors

Authorities responsible in eight countries for approving agricultural machines and tractors participate in this scheme which has been in operation since 1 September 1972. It applies to any machine, implement or vehicle for use in agriculture, horticulture or forestry and to their accessories, though not to any electrical equipment, provided they are subject to approval by national authorities.

Reports on the operation of the scheme were not available from all the countries concerned when representatives of the participating authorities met in Geneva in October. It appeared, however, from the increase in the number of test reports accepted by the authorities represented that the scheme had continued to work well.

There was an exchange of information on changes in national safety regulations for combine harvesters and for safety cabs and frames. The information is to serve as a basis for up-dating the consolidated lists of national safety requirements, which provide manufacturers with information on requirements in the export markets covered by the scheme.

A table setting out the national requirements for certain components of self-propelled working machines in five of the countries participating was discussed. It was agreed that an attempt should be made to identify areas in which there might be a possibility of harmonising some of the requirements.

The scheme is in force in Austria, Denmark, Finland, Norway, Portugal, Sweden, Switzerland and the United Kingdom.

Heating equipment using liquid fuel

In force since 1 January 1978 the heating equipment scheme covers any appliance subject to national approval that uses liquid fuel for heating purposes, and it thus applies to such products as oil burners, domestic boilers, air heaters and dryers, oil stoves with flue connection, portable heaters and portable cooking and lighting appliances.

The use of the scheme remains limited. When representatives of approval bodies met in Geneva in October they were able to note that approvals had been granted by three of them in the previous twelve months. They exchanged information on relevant national work including work on energy-saving measures and on regulations for the protection of the environment, and the implications for the appliances subject to the scheme were discussed. The list of national approval requirements annexed to the scheme was modified to take account of the new information.

The scheme is in operation in Austria, Finland, Iceland, Norway, Portugal, Sweden and Switzerland.

Lifting appliances

The scheme relating to lifting appliances came into force in 1978. It covers all kinds of lifting, handling, loading and unloading machinery, including building cranes, harbour cranes, travelling cranes, deck cranes, lifts for passengers or goods, escalators, ski lifts, mine lifts and fork lift trucks. Tests or inspections required after the installation of the equipment are excluded.

The participation of Sweden from September 1982 was expected to encourage the use of the scheme. Representatives of the national participating authorities were able to note at their meeting in February that there had been progress in the recognition of testing institutions.

An enquiry made among manufacturers in Finland showed that only a small amount of their trade is with EFTA countries. The manufacturers thought it desirable to extend the scheme so as to include EC countries with which there is much more trade.

The scheme is in operation in Austria, Finland, Iceland, Norway, Sweden and Switzerland.

List of publications

Texts of the conventions and reciprocal recognition schemes

Convention for the Mutual Recognition of Inspections in respect of the Manufacture of Pharmaceutical Products. (1970). Bilingual English-French, German, Italian.

Convention on the Control and Marking of Articles of Precious Metals. (1972). Bilingual English-French.

Scheme for the Reciprocal Recognition of Tests and Inspections carried out on Pressure Vessels. (1971). English, French and German.

Scheme for the Reciprocal Recognition of Tests and Inspections carried out on Ships' Equipment. (1971). English, French and German.

Scheme for the Reciprocal Recognition of Tests carried out on Agricultural Machines and Tractors. (1972). English, French and German.

Scheme for the Reciprocal Recognition of Tests and Inspections carried out on Gas Appliances. (1972). English, French and German.

Scheme for the Reciprocal Recognition of Tests and Inspections carried out on Lifting Appliances. (1978). English, French and German.

Scheme for the Reciprocal Recognition of Tests and Inspections carried out on Heating Equipment using Liquid Fuel. (1978). English, French and German.

Scheme for the Mutual Recognition of Evaluation Reports on Pharmaceutical Products. (1979). English, French and German.

Pharmaceutical Seminars

The places and dates mentioned are those of the seminars. The texts were all published in Geneva several months later. The price of each of these seminar volumes is 10 Swiss francs.

Sampling and analytical control. Edinburgh, September 1973. English.

Manufacture and quality control under contract. Berne, July 1974. English.

The manufacturer's quality control department. Structural and functional aspects. Copenhagen, June 1975. English.

Stability of pharmaceutical products. Salzburg, June 1976. English.

Modern methodology for the isolation, identification and quantification of drugs and related substances. Uppsala, June 1977. English.

Good manufacturing practice in tablet manufacture. Sunningdale, March 1978. English.

Large volume parenterals. Oslo, June 1978. English.

Inspection in tablet manufacture. Copenhagen, June 1980. English.

Good manufacturing practice in the manufacture of active ingredients. Liestal/Basle, June 1980. English.

Application of GMP rules in the control laboratory. Budapest, June 1981. English.

Validation. Dublin, June 1982. English.

Safety aspects of the packaging of pharmaceutical products. Lisbon, June 1983. English.

Brochures published under the auspices of the Pharmaceutical Inspection Convention

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

Guidelines for the Manufacture of Sterile Products (1981).

Guidelines for the Handling of Starting Materials (1973).

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

Guidelines for the Packaging of Pharmaceutical Products (1984).

These are annexes to the brochure on basic standards for the manufacture of pharmaceuticals. Trilingual English, French and German except for the last mentioned which is available in English and German versions.

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

