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EUROPEAN COMMUNITY INFORMATION SERVICE

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December 7, 1971

FOR IMMEDIATE RELEASE No. 66

COMMON MARKET BEGINS NEGOTIATIONS WITH NON-CANDIDATE EUROPEAN COUNTRIES

WASHINGTON, D.C., December 7 -- The Commission of the European Community has opened the first series of negotiations with the six European Free Trade Association members which are not seeking full membership to the Common Market.

Aimed at establishing a free trade area in Western Europe for industrial products, negotiations with Iceland, Sweden, Finland, Switzerland, Austria and Portugal began on December 3. The discussions are expected to continue well past the conclusion of the first round of talks on December 18.

When still in a state of preparation in early November, the forthcoming negotiations were the subject of U.S. criticism. In a formal protest, the United States called the proposed trade arrangements "discriminatory" and threatened to raise the issue in the General Agreement on Tariffs and Trade (GATT). (The U.S. sent 3.6 per cent of its total exports to EFTA non-candidate countries in 1970.)

Since that time, the Commission has reiterated the negotiations' three goals which were set forth on November 10, 1970:

- to prevent the development of new intra-European trade barriers due to enlargement of the Community;
- to safeguard the autonomous decision-making power of the Community;

- to conform to the rules of GATT concerning preferential arrangements.

At present, there is free trade in manufactured goods between the four applicants, Britain, Ireland, Denmark and Norway, and the six non-candidate EFTA countries. Without new agreements, enlargement would seriously curtail the existing free trade between these countries.

Exploratory talks with the six non-candidates began in December, 1970. The Commission sent its report on the talks to the Council of Ministers in June, 1971, and after several sessions on the matter, the Council gave the Commission a limited negotiating mandate giving a broad outline of the agreements to be negotiated. After the Commission and the six non-candidates discuss details during this month's meetings, the Commission will refer the results to the Council, which will then draw up the Community's definitive negotiating position.

The Commission hopes to conclude the negotiations during the first half of 1972 so that agreements reached can be put into force by January 1, 1973.

The negotiations are expected to be difficult and complex. While Portugal and Iceland are members of the North Atlantic Treaty Organization, the other four are neutral in East-West relations.

Another difficulty is that the wishes of the non-candidates themselves conflict. Partly because of its close links with Denmark and Norway, Sweden may accept the common agricultural policy and Community regulations on competition. Sweden also wishes to cooperate in economic and monetary fields. Switzerland may also accept many Community rules and policies but is unwilling to renounce freedom of action in external relations. Austria wants broad cooperation with no formal institutional links. Austria also appears willing to align her agricultural policies with the Community and gradually to establish free trade in this sector. Finland

is expected to accept no more than free trade for industrial products and expresses no interest in participating in Community development or Community decision-making. Portugal has stated that it wishes an agreement which goes beyond a commercial pact. Iceland's main concern is an outlet for her fish exports, and she is expected to seek concessions from the Community in that regard.

EFTA NON-CANDIDATE COUNTRIES' TRADE PATTERNS

EXPORTS

| | | <u>Total (in millions of dollars)</u> | | | <u>Percentage of Total Exports</u> | |
|-------------|------|---------------------------------------|------------------------------------|------------------------------------------------|------------------------------------|------------------------------------------------|
| | | World ----- | Common Market (Six) ----- | Enlarged Common Market (Ten) ----- | Common Market (Six) ----- | Enlarged Common Market (Ten) ----- |
| Austria | 1959 | 964 | 473 | 529 | 49.1 | 54.9 |
| | 1969 | 2,412 | 999 | 1,217 | 41.4 | 50.5 |
| Finland | 1959 | 837 | 219 | 441 | 26.2 | 52.7 |
| | 1969 | 1,985 | 476 | 982 | 24.0 | 49.5 |
| Iceland | 1959 | 65 | 7 | 14 | 10.8 | 21.5 |
| | 1969 | 107 | 17 | 41 | 15.9 | 38.3 |
| Portugal | 1959 | 254 | 48 | 116 | 18.9 | 45.7 |
| | 1969 | 853 | 153 | 368 | 17.9 | 43.1 |
| Sweden | 1959 | 2,204 | 683 | 1,375 | 31.0 | 62.4 |
| | 1969 | 5,688 | 1,582 | 3,478 | 27.8 | 61.1 |
| Switzerland | 1959 | 1,683 | 671 | 815 | 39.9 | 48.4 |
| | 1969 | 4,609 | 1,722 | 2,200 | 37.4 | 47.7 |

IMPORTS

| | | <u>Total (in millions of dollars)</u> | | | <u>Percentage of Total Imports</u> | |
|-------------|------|---------------------------------------|---------------------|------------------------------|------------------------------------|------------------------------|
| | | World | Common Market (Six) | Enlarged Common Market (Ten) | Common Market (Six) | Enlarged Common Market (Ten) |
| | | ----- | ----- | ----- | ----- | ----- |
| Austria | 1959 | 1,144 | 654 | 730 | 57.2 | 63.9 |
| | 1969 | 2,825 | 1,596 | 1,842 | 56.5 | 65.2 |
| Finland | 1959 | 837 | 265 | 406 | 31.7 | 48.5 |
| | 1969 | 2,023 | 553 | 942 | 27.3 | 46.6 |
| Iceland | 1959 | 63 | 10 | 23 | 15.9 | 36.5 |
| | 1969 | 123 | 34 | 69 | 27.6 | 56.1 |
| Portugal | 1959 | 473 | 185 | 252 | 39.1 | 53.3 |
| | 1969 | 1,298 | 445 | 651 | 34.3 | 50.2 |
| Sweden | 1959 | 2,403 | 991 | 1,500 | 41.2 | 62.4 |
| | 1969 | 5,899 | 2,013 | 3,633 | 34.1 | 61.6 |
| Switzerland | 1959 | 1,913 | 1,152 | 1,322 | 60.2 | 69.1 |
| | 1969 | 5,266 | 3,063 | 3,586 | 58.2 | 68.1 |

US EXPORTS TO EFTA NON-CANDIDATE COUNTRIES - 1970

(in million of dollars)

| | |
|-------------|---------|
| Austria | 74.3 |
| Finland | 99.2 |
| Iceland | 12.8 |
| Portugal | 126.4 |
| Sweden | 543.5 |
| Switzerland | 700.4 |
| TOTAL | 1,556.6 |

Total US exports in 1970 were valued at \$43.2 billion. US exports to EFTA non-candidates represented 3.6 per cent of total US exports.