



**European
community**

PRESS RELEASE

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EUROPEAN COMMUNITY SIGNS AGREEMENT WITH FOUR "FREE TRADE ASSOCIATION" STATES

On Saturday morning, July 22, an agreement will be signed in Brussels between the six-nation European Community and the six members of the European Free Trade Association (EFTA) which are not applying for EC membership. These are: Iceland, Portugal, Sweden, Switzerland, Finland and Austria.

The agreement with Switzerland applies also to the principality of Liechtenstein, whose representative participated in the negotiations.

Origin of the Negotiations

At the conference of heads of state or government held at The Hague on December 2, 1969, when the decision was taken to begin negotiations with the four European countries seeking accession to the Community (three of them members of EFTA), the final communique recommended that "as soon as negotiations with the applicant countries have been opened, discussions on their position in relation to the EEC will be started with such other EFTA members as may request them." All the "non-applicant" EFTA countries in fact requested negotiations.

The initial outline of the Community's approach to its future relations with the countries concerned was drawn up in the first half of 1970. At the opening negotiating session in Luxembourg on June 30, 1970, Council President Pierre Harmel said: "Agreements concluded with these countries would be binding on the enlarged Community. It will therefore be necessary to seek appropriate formulas enabling the states which have applied for membership to be associated in due course with the preparation and conclusion of these agreements.

"The Community considers that it would be desirable, for practical reasons and in the interest of all the countries concerned, for these agreements to come into force at the same time as the accession treaties."

In the autumn of 1970 the Community drew up the basic principles for negotiations with these countries and completed the preparatory work at the Council meeting of November 10, 1970. On the same day, the President of the Council meeting, Walter Scheel, met the Swiss, Swedish, and Austrian delegations. On November 24, 1970, he met the Finnish, Portuguese, and Icelandic delegations. Mr. Scheel stressed that "the international commitments to which we are party, in particular within GATT, will have to be respected," and noted that "neither you nor I wish to see the setting up of new barriers against intra-European trade."

The Negotiations and the Agreements

The negotiations went through two phases. First, exploratory talks; then, more detailed discussions between February 22 and April 2, 1971. A comprehensive report was forwarded to the Council on June 15, 1971.

In the meantime, the Community had finalized the essential features of an agreement with the countries which had applied for membership, in particular on the industrial aspects (the schedule for tariff-dismantling and the introduction by the candidate countries of the common customs tariff). This facilitated the task of proposing solutions to the non-candidate EFTA states.

On November 29, 1971, the Council authorized the Commission to open the actual negotiations. These took place in five rounds, between December 3, 1971, and July 20, 1972.

As the countries in question sometimes expressed quite different desires and since their economies differ considerably, six separate treaties have been negotiated.

Common to all the treaties is free trade in industrial products, with safeguards. The partners declared their readiness to foster, so far as their agricultural policies allow, the harmonious development of trade in agricultural products in those fields where the agreements do not specify any special provisions.

In all the agreements, except the one with Finland, provision has been made for an "evolutionary" element to be included. This means that if any one of the partners concerned feels that it would be in the interest of the economies of both partners to develop the relations established by this agreement by extending them to other spheres, it may submit a request, with justifications, to the other country. The joint committee may then make recommendations.

The agreements provide that the abolition of customs duties achieved between the EFTA member countries which will be joining the Community and those which will not be joining will be maintained. Provision has also been made for extending this free trade, by means of a transitional period, to cover relations between the initial members of the enlarged Community and those EFTA countries which have not applied to join it. The schedule for dismantling customs duties in the latter case is similar to that laid down in the Accession Treaty for the four future members. This is:

| <u>TIMETABLE*</u> | <u>RATE OF REDUCTION</u> |
|-------------------|--------------------------|
| April 1, 1973 | 20% |
| January 1, 1974 | 20% |
| January 1, 1975 | 20% |
| January 1, 1976 | 20% |
| July 1, 1977 | 20% |

* In the case of Portugal and Iceland, provision has been made for longer timetables extending until January 1, 1980.

There is a longer transitional period for sensitive products, such as the paper industry -- where an 11-year transitional period was scheduled. For sensitive products, a system of target ceilings on imports into the Community will also be introduced so as to take account of rapid changes which might disturb the balance of industrial sectors in difficulties.

All of the EFTA non-applicant countries will also benefit from longer time schedules for tariff-dismantling for certain sectors.

The agreements lay down the procedures to be adopted to ensure harmonious free trade and guarantee equality of treatment for products originating in third countries with a view to their inclusion in the free trade arrangements.

The rules of origin to be included in these agreements are comparable with those already applied by the Community in its existing preferential agreements. Under the system, the rules of origin, which will be the same for the enlarged Community and the non-applicant EFTA countries -- and will also apply to trade between the non-applicant EFTA countries themselves -- will provide preferential access for certain products. These are products that have acquired origin in the Community or in one of the other countries in question, and which have been imported either directly or after processing in one or several of these countries or in the Community -- even where this processing is insufficient to confer origin in one or other of these countries specifically. Origin must however be acquired in the first place by means of sufficient processing on a bilateral basis -- between the Community and one of its partners.

From the industrial point of view, a joint committee will normally meet twice a year, except in emergencies, to manage the free trade arrangements, especially where customs matters and rules of origin are concerned. It will also be called upon to consider any requests for extending the agreements.

On July 22, 1972, the interim agreement with Austria will be signed. This agreement which amounts to a "bonus" for Austria foresees a reduction of customs duties of 30 per cent on entry into force of the agreement. Entry into force could be on October 1, 1972, and the agreement will remain in force until the tariff cuts foreseen in the global agreement are applied.

Statistical Appendices (Sources: Organization for Economic Cooperation and Development, Statistical Office of the European Communities, and the European Free Trade Association)

(External trade figures refer to 1971 apart from the geographical distribution percentages which are based on 1969 trade.)

AUSTRIA

| | |
|---|------------------|
| Population | 7,398,000 |
| Gross National Product | \$14,352 million |
| GNP per Capita | \$1,940 |
| GNP by Sector | |
| Agriculture | 7.0% |
| Industry | 46.8% |
| Other Sectors | 46.2% |
| GNP Average Annual Growth Rate (1965-1970) | 5.1% |
| External Trade | |
| Imports | \$4,151 million |
| From the Enlarged Community | 65.2% |
| From the Enlarged EC and EFTA states | 76.0% |
| Exports | \$3,138 million |
| To the Enlarged Community | 50.5% |
| To the Enlarged EC and EFTA states | 66.1% |
| Exports as a Percentage of GNP | 28.8% |

FINLAND

| | |
|---|------------------|
| Population | 4,603,000 |
| Gross National Product | \$10,035 million |
| GNP per Capita | \$2,180 |
| GNP by Sector | |
| Agriculture | 14.7% |
| Industry | 41.3% |
| Other Sectors | 44.0% |
| GNP Average Annual Growth Rate (1965-1970) | 4.8% |
| External Trade | |
| Imports | \$2,796 million |
| From the Enlarged Community | 46.6% |
| From the Enlarged EC and EFTA States | 66.2% |
| Exports | \$2,357 million |
| To the Enlarged Community | 49.5% |
| To the Enlarged EC and EFTA States | 65.3% |
| Exports as a Percentage of GNP | 26.6% |

ICELAND

| | |
|---|---------------|
| Population | 205,100 |
| Gross National Product | \$469,700,000 |
| GNP per Capita | \$2,290 |
| GNP Average Annual Growth Rate (1965-1970) | 2.1% |
| External Trade | |
| Imports | \$180 million |
| From the Enlarged Community | 56.1% |
| From the Enlarged EC and EFTA States | 68.3% |
| Exports | \$180 million |
| To the Enlarged Community | 38.3% |
| To the Enlarged EC and EFTA States | 52.3% |
| Exports as a Percentage of GNP | 47.2% |

PORTUGAL

| | |
|---|-----------------|
| Population | 9,588,000 |
| Gross National Product | \$6,328 million |
| GNP per Capita | \$660 |
| GNP by Sector | |
| Agriculture | 17.7% |
| Industry | 42.8% |
| Other Sectors | 39.7% |
| GNP Average Annual Growth Rate (1965-1970) | 6.2% |

External Trade

| | |
|---|-----------------|
| Imports | \$1,772 million |
| From the Enlarged Community | 50.2% |
| From the Enlarged EC and EFTA States | 58.4% |
| Exports | \$1,033 million |
| To the Enlarged Community | 43.1% |
| To the Enlarged EC and EFTA States | 53.8% |
| Exports as a Percentage of GNP | 24.4% |

SWEDEN

| | |
|---|------------------|
| Population | 8,083,000 |
| Gross National Product | \$30,877 million |
| GNP per Capita | \$3,820 |
| GNP by Sector | |
| Agriculture | 5.9% |
| Industry | 45.2% |
| Other Sectors | 48.9% |
| GNP Average Annual Growth Rate (1965-1970) | 3.9% |

External Trade

| | |
|---|-----------------|
| Imports | \$7,059 million |
| From the Enlarged Community | 61.6% |
| From the Enlarged EC and EFTA States | 71.5% |
| Exports | \$7,440 million |
| To the Enlarged Community | 61.1% |
| To the Enlarged EC and EFTA States | 71.2% |
| Exports as a Percentage of GNP | 23.1% |

SWITZERLAND

| | |
|---|------------------|
| Population | 6,202,000 |
| Gross National Product | \$20,218 million |
| GNP per Capita | \$3,260 |
| GNP by Sector | |
| Agriculture | 6.4% |
| Industry | 49.6% |
| Other Sectors | 44.0% |
| GNP Average Annual Growth Rate (1965-1970) | 3.7% |
| External Trade | |
| Imports | \$7,227 million |
| From the Enlarged Community | 68.1% |
| From the Enlarged EC and EFTA States | 76.2% |
| Exports | \$5,763 million |
| To the Enlarged Community | 47.7% |
| To the Enlarged EC and EFTA States | 58.1% |
| Exports as a Percentage of GNP | 37.8% |

EUROPE IN WORLD TRADE

1970 - in millions of dollars

(Source: Statistical Office of the European Communities)

| | <u>EXPORTS</u> | <u>IMPORTS</u> |
|--------------|------------------------|------------------------|
| EEC | 88,499 ⁽¹⁾ | 88,422 ⁽³⁾ |
| ENLARGED EEC | 114,631 ⁽²⁾ | 119,795 ⁽³⁾ |
| AUSTRIA | 2,857 | 3,549 |
| FINLAND | 2,306 | 2,637 |
| ICELAND | 147 | 157 |
| PORTUGAL | 946 | 1,556 |
| SWEDEN | 6,782 | 7,005 |
| SWITZERLAND | 5,711 | 6,467 |
| EEC + EFTA | 133,380 | 141,166 |
| USA | 43,226 | 39,963 |
| USSR | 12,800 | 11,739 |
| JAPAN | 19,318 | 18,881 |
| WORLD TRADE | 309,400 ⁽³⁾ | |

(1) Including intra-Community trade of the "Six" = \$43,301 million.

(2) Including intra-Community trade of the "Ten" = \$59,302 million.

(3) Including intra-Community trade.