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THE EUROPEAN COMMUNITY AND NORWAY

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On 26 June 1981, at Oslo, the first regular meeting, held at Ministerial level between the European Community and Norway will be attended by the Commission Vice-President responsible for external relations, Mr. Wilhelm Haferkamp. This information note reviews the state of Community-Norwegian relations.

THE EUROPEAN COMMUNITY AND NORWAY

A common heritage

Norway, which remains outside the European Community, is a Scandinavian country of 4 million inhabitants characterised by a high degree of economic development, by the production and export of petroleum, by an advanced social welfare system and a deeply rooted democracy at every level. With the Member States of today's European Community, Norway has by and large a long history of political, economic and cultural interdependence. Sharing in so many respects a common heritage, Norway and the European Community are taking an increasingly similar view of today's international questions.

The course of Norway's relations with the European Community differs somewhat from that of other West European countries, notably from that of any other member of the European Free Trade Association (EFTA) to which Norway has belonged since its creation in 1960 (1). For alongside the United Kingdom, Denmark and Ireland, Norway participated in the negotiations for full Community membership which began in 1970. Subsequently, however, it rejected entry to the Community in a referendum held on 26 September 1972.

The EC-Norway Free Trade Agreement

As a result of the Free Trade Agreement the bulk of its relations with the European Community has since been governed by the same principles and rules which apply to most other EFTA countries too (2). At their base is the Community's decision of 1969 that there should be negotiations with EFTA members unwilling to join the Community in order to regulate the relationship between them and the enlarged Community. These negotiations duly took place and led to the conclusion of Free Trade Agreements, setting up a free trade area between the Community and the EFTA states for industrial as well as for certain processed agricultural products.

Agriculture as such was not included. The contracting parties, however, expressed their readiness to encourage the harmonious development of agricultural trade while respecting each other's agricultural policies. Furthermore, the principal EFTA countries among them, Norway on the one hand and the Community on the other granted each other reciprocal concessions in this sector. These then contributed to less than 8 % of total EC-Norwegian trade. They affect EC imports of Norwegian fishery products and Norwegian imports of wine and certain EC fruit, flowers and vegetables.

Most of these Free Trade Agreements came into effect on 1 January 1973, and that with Norway on 1 July 1973. The transition periods they stipulated have since run their course by and large, so that by mid-1977 free trade in the industrial field had been achieved on the whole. A longer transitional period on Community imports from Norway and other EFTA countries for aluminium and certain other metals ended in turn on 31 December 1979. Still

(1) A separate note on "The European Community and the EFTA Countries is available in this series (N° 35/80).

(2) Member countries of EFTA are, in addition to Norway: Austria, Finland (associate), Iceland, Portugal, Sweden and Switzerland.

remaining Community import duties and other restrictions on paper will continue to be dismantled gradually and will disappear completely by 31 December 1983. Conversely, Norway will maintain until that same date duties on a number of Community products, notably in the textiles sector.

To all intents and purposes there thus now exists in Europe a free trade area of some 300 million persons in which industrial goods can be exchanged free of tariff duties and quantity restrictions. Once Spain and Portugal, which are currently conducting membership negotiations, have joined the European Community of which Greece became the tenth member on 1 January 1981, this area will encompass some 350 million inhabitants.

The trading interdependence of the European Community and EFTA

Statistics make it eminently clear how close and vital to both sides the trade relationship between the Community and EFTA has become. On the one hand, the EFTA states constitute the Community's largest trading partner (3). In 1980 25.4 % (1979: 24.3) of the Community's total exports to the outside world went to the EFTA countries, and from them it obtained 18.0 (18.7) % of its overall imports. By comparison, in 1980 the EC sent 11.8 (12.9) % of its exports to the United States and 2.0 (2.4) % to Japan, while it brought in from the United States 16.3 (15.8) % and from Japan 4.6 (4.9) % of its total import needs.

To the EFTA countries, on the other hand, trade with the Community is more important still (4). Thus in 1980 the EFTA nations, excluding Portugal, sent 52.4 % of their world exports to the Community, as against only 4.8 % to the United States. From the Community came 54.6 % of their world imports, compared with 6.3 % from the United States.

Norwegian-Community trade

If the growth of Community exports to and imports from the EFTA countries between 1973 and 1980 fully matched the expansion of the Community's overall trade with the outside world during this period, Community trade with Norway was still more spectacular especially if one considers the Community's imports alone from that country. Between 1973 and 1980 Community purchases from Norway soared by about 450 % while sales to Norway were up 228 %. This pattern, due almost entirely to a rapid increase in Community energy imports from Norway (5), gave that country its first trade surplus of 1.5 billion US \$ in 1978, whereas until 1977 a Norwegian trade deficit had been the rule. By 1980 the Norwegian surplus was nearly three times as high as in 1978. Also in 1980 71 % of Norway's exports went to the Community, compared with 60 % in 1978 and 47 % in 1974. Of Norway's total imports just under 51 % came from the Community in 1980, as against 45 % in 1978 and 42 % in 1974.

These figures reflect at one and the same time the success as well as the necessity of the links which the Free Trade Agreements fashioned between the Community and EFTA countries as a whole, and with Norway in particular. These agreements, however, did not limit themselves to the overall trade flow. For one thing they incorporated some other relevant matters also; for another they set the pace, too, for an extension of cooperation over and above trade as such.

(3) See Table A

(4) See Table B

(5) See Table C

Other main features of the EEC-Norway Trade Agreement are:

- an evolutive clause which, however, has not yet been utilized. It enables each partner to request that relations established by the agreement expand into sectors not initially covered, provided they are in the interest of the economies of both parties.
- a safeguards clause which has in fact been applied for a few products without, however, causing serious problems between the partners.

The Free Trade Agreements also created the mechanisms which would ensure their proper functioning.

The EEC-Norway Joint Committee

These Free Trade Agreements centre on the Joint Committees established between the Community and individual EFTA countries. They must meet at least once a year, and have in fact met regularly twice a year since the agreements came into force. The most recent EEC-Norway Joint Committee took place on 9 June and 10 December, 1980, at Bergen and Brussels respectively.

The Committees' task is to supervise the proper implementation of the Agreements, especially as regards customs questions, rules of origin, and the application of safeguards clauses. They also consider any request made to extend the scope of the agreements, and formulate recommendations for entering into negotiations, where required. In addition to examining the working of the Agreements and whatever difficulties may have emerged on either side, the Committees provide a forum, too, for the regular review of the general economic situation. As the only separate committees created to date the Customs Committees have made possible numerous simplifications of the rules of origin and facilitated administrative cooperation in the application of customs formalities.

A new departure: Meetings at Ministerial level

Reflecting both the satisfactory functioning of the Joint Committees and the growing degree of cooperation over and above the basic framework of the Free Trade Agreement, the European Community and Norway decided in 1980 that in future one of the two annual sessions, normally attended by officials, might be replaced by a high level meeting bringing together Members of the European Commission and national Ministers. This will permit the discussion of major policy issues of interest to both parties. The first such high level meeting is scheduled for 26 June 1981, when Commission Vice-President Wilhelm Haferkamp, responsible for external relations, goes to Oslo.

Other sectors of trade

Special situations have developed in other sectors.

Steel

Following the steel crisis measures which the Community was forced to take some years ago (known as the "Davignon Plan"), and more particularly the setting of some minimum prices, it became necessary to obtain the cooperation of steel-producing third countries so that the effect of the Community's scheme might not be undone by imports at lower prices. Arrangements to that end were made between the Community and Norway (as well as other EFTA countries)

in February 1978 for a one-year period. They were renewed subsequently for the years 1979, 1980 and 1981. In essence, while containing no quantitative limitations, these arrangements see to it that (i) traditional trade flows and market patterns, which in Norway's case revolve mainly around steel exports to the United Kingdom, are maintained; and (ii) the Community's price regulating measures are observed by EFTA (and other) states.

Fisheries

A framework agreement between the Community and Norway, initialled in March 1978 and in fact applied from that date onward was formally signed and approved in 1980. This agreement is based on the emerging Law of the Sea: it calls for annual arrangements whereby both parties concur to manage together the conservation of joint fish stocks in the North Sea; and also to give each other reciprocal fishing rights, meaning above all permissible catch quotas, in their respective territorial waters. Such implementing annual accords were concluded for 1978, 1979 and 1980. An accord has also been negotiated and approved by the Community's Council of Ministers for 1981.

In the fishing sector, too, and on the basis of the 1966 tripartite (between Norway, Denmark and Sweden) agreement on fishing rights in the Skagerrak region, the Community (inheriting as it were Denmark's rights now that that country had become a member) negotiated tripartite agreements with Norway (and Sweden) in 1978, 1979 and 1980. No such agreement has as yet been reached for 1981.

Cooperation in other fields

A glance at the evolution since 1973 of the relationship between the European Community on the one hand and Norway (as well as its EFTA partners) on the other reveals a certain similarity to what happened within the Community itself in the late 1960s and throughout the 1970s. As the dismantling of tariff proceeded smoothly and was ultimately completed without any significant hitch, attention and interest started focussing more and more on the multitude of other facets (rather than simply trade) of economic and related policies which govern the "co-existence" of Western European nations. They came increasingly to the fore the more as tariff aspects waned.

For Norway and its EFTA partners the Free Trade Agreements' evolutive clause provided the infrastructure with which to extend the relationship with the Community into new fields. In the event, however, the EFTA and Community Governments took deliberate action to strengthen the basis for creating additional links.

At their summit meeting in Vienna in May 1977 EFTA Heads of State and Government expressed their readiness not only to maintain the achievements of the Free Trade Agreements, but to complete and extend them by supplementary cooperation with the European Community. In turn the Community's Council of Ministers one year later deemed it desirable to improve and round out the agreements in all sectors where this might be useful. In Norway's case the practical consequences to date of the process of drawing together thus initiated have been mainly that:

- new areas of cooperation have since been, and continue to be added to those already provided for in the original agreement;
- the frequency of contacts between Norwegian and Community personalities has been stepped up markedly.

As regards additional areas of cooperation:

- Norway now participates in the Community's COST (cooperation in Scientific and Technical Research programme covering the areas of data processing, telecommunications, meteorology, oceanography, transport and metallurgy;
- Norway and the Community have agreed to meet twice annually to exchange information in the field of sea transport;
- Similar contacts have been established also for discussing other transport questions, including those relating to air transport.
- Following an exchange of letters in early 1981 there will in future be two meetings annually for the purpose of sharing information on environmental questions;
- While there exists no formal basis to that effect, contacts take place regularly also on issues of energy policy on the one hand and of economic and monetary policy on the other. In this connection it should be noted that Norway was associated with the Community's system establishing in 1972 the so-called currency "snake", until this was replaced (in December 1978) by the creation of the existing European Monetary System (EMS). Norway, as indeed the other EFTA countries, has not so far made use of the EMS provisions for associate status.

Political and official relations

From the very beginning the implementation of the Free Trade Agreement has meant regular meetings between Norwegian and Community officials and to these the above-mentioned extension of cooperation into other areas naturally has added further. Over and above this, however, there has been an increasing number of visits not only by senior officials from either side, but of political leaders as well. Thus, Norwegian Ministers visiting the European Commission headquarters in Brussels in 1980 were:

- Finance Minister Ulf Sand (January);
- Commerce Minister Reiulf Steen (September);
- Prime Minister Odvar Nordli (November).

In turn, Commission President Roy Jenkins paid an official visit to Oslo in July 1980.

Towards a closer partnership between Norway and the Community

Discussing Norway's present position in Europe recently at a conference in Oslo (6) Prime Minister Mrs. Gro Harlem Brundtland said that in the long term her country's relationship to the Community would be determined through the already evident process of natural development. This appraisal, taken in conjunction with many other statements of leading personalities of either side, as well as with the evolution of the relationship to date, justifies the conclusion that to the many ties already existing new ones will be added in the years ahead, and that conceivably the existing process of consultation might come to extend into areas not so far covered. This expectation appears to be the more warranted inasmuch as the European Community's second enlargement, which led to the accession of Greece at the start of 1981 and which should later lead to that of Spain and Portugal also, implies both new challenges and new opportunities for countries which, like Norway, now maintain strong and comprehensive links with the European Community.

(6) "Europe and America in the 1980s: must Norway choose?", conference held on 4 May 1981.

THE EUROPEAN COMMUNITY'S TRADE IN 1980 WITH EFTA COUNTRIES, THE UNITED STATES AND JAPAN

COUNTRY	EC-IMPORTS		EC-EXPORTS	
	in 1.000 ECU (1)	%	in 1.000 ECU (1)	%
ICELAND	288.258	0,10	323.764	0,14
NORWAY	8.376.524	3,08	5.136.198	2,28
SWEDEN	11.474.131	4,22	11.663.123	5,19
FINLAND	4.427.117	1,63	3.456.212	1,53
SWITZERLAND	15.418.885	5,67	22.276.375	9,92
AUSTRIA	6.936.923	2,55	11.272.187	5,02
PORTUGAL	1.960.635	0,72	2.895.387	1,29
TOTAL EFTA	48.882.474	18,00	57.023.245	25,40
UNITED STATES	44.250.187	16,29	26.563.911	11,83
JAPAN	12.462.213	4,58	4.569.397	2,03

(1) 1 ECU (European currency unit) = US \$ 1.39

Source: EUROSTAT

GEOGRAPHIC DISTRIBUTION OF EFTA TRADE

(1980)

	EFTA		European Community		United States		Eastern Europe		Rest of World		World Total	
	\$ mill.	Percent change	\$ mill.	Percent change	\$ mill.	Percent change	\$ mill.	Percent change	\$ mill.	Percent change	\$ mill.	Percent change
Imports (c.i.f.)												
Austria	1,912.2	13.1	15,095.4	15.5	819.4	27.9	2,355.6	32.9	4,075.9	35.3	24,258.5	20.2
Finland	2,748.0	20.7	5,222.0	33.6	904.3	58.0	3,807.8	46.1	2,931.8	50.9	15,613.9	38.1
Iceland	213.2	13.4	440.5	14.8	93.9	74.2	111.3	6.5	141.9	47.8	1,000.8	21.1
Norway	4,068.1	14.1	8,119.3	25.7	1,357.5	37.5	369.2	-7.0	3,038.0	30.9	16,952.1	23.5
Portugal*	643.8	29.7	3,360.5	23.7	946.2	23.2	226.8	8.5	3,478.8	48.0	8,656.1	32.3
Sweden	5,365.9	17.1	16,450.7	12.3	2,432.3	17.3	1,618.5	-8.4	7,544.5	37.9	33,411.9	17.1
Switzerland	2,515.7	19.7	24,344.6	20.3	2,450.7	33.5	1,420.0	25.2	5,602.9	40.3	36,333.9	24.0
Total EFTA	17,466.9	17.2	73,033.0	18.9	9,004.3	29.9	9,909.2	24.0	26,813.8	39.7	136,227.2	23.4
\$ share in total (1979 in brackets)	12.8	(13.5)	53.6	(55.6)	6.6	(6.3)	7.3	(7.2)	19.7	(17.4)	100.0	(100.0)
Exports (f.o.b.)												
Austria	2,157.2	14.4	9,444.8	14.3	378.6	-3.5	2,093.7	5.1	3,296.6	13.7	17,370.9	12.6
Finland	3,330.8	23.4	5,466.2	19.5	446.9	-5.9	2,814.7	55.8	2,095.3	31.5	14,153.9	26.9
Iceland	141.0	30.8	353.3	15.9	200.5	-9.3	82.5	28.9	152.2	65.4	929.5	17.7
Norway	2,335.0	14.8	13,133.2	52.8	552.4	1.5	265.7	8.1	2,202.0	8.4	18,483.3	37.4
Portugal*	635.5	38.2	2,482.7	25.1	243.4	20.0	95.1	-4.5	1,020.6	39.2	4,483.3	28.6
Sweden	6,394.6	16.0	15,143.6	12.3	1,653.9	1.0	1,195.5	1.7	6,528.9	14.1	30,916.5	12.3
Switzerland	2,709.0	12.7	14,877.1	13.2	2,120.6	16.7	1,062.6	-0.5	8,847.2	9.9	29,616.5	11.9
Total EFTA	17,703.1	17.2	60,900.9	21.0	5,602.3	5.8	7,609.8	18.0	24,142.8	14.3	115,958.9	17.9
\$ share in total (1979 in brackets)	15.3	(15.4)	52.5	(51.2)	4.8	(5.4)	6.6	(6.5)	20.8	(21.5)	100.0	(100.0)
Trade balance	+236		-12,132		-3,402		-2,299		-2,671		-20,268	

* Estimated data for Portugal (October - December)

Source: EFTA

TABLE B

THE STRUCTURE OF TRADE BETWEEN THE EUROPEAN COMMUNITY AND NORWAY

Class of product	EC imports from Norway (1980 - 9 months estimate) in millions of ECUs (1)	EC exports to Norway (1980 - 9 months estimate) in millions of ECUs (1)
0,1 Food products, beverages and tobacco	301	326
3 Energy products	4,632	666
2,4 Raw materials	363	124
5 Chemical products	368	477
7 Machinery and transport equipment	465	1.818
6,8 Other manufactures	1.825	1.741
9 Non-classified items	188	125
0-9 Total	8.148	4.977

(1) 1 ECU (European currency unit) = US \$ 1.39

Source: EUROSTAT

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