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MEMO 123/84

Brussels, 29 November 1984

MEETING OF THE EEC/ECSC/FINLAND JOINT COMMITTEES

The EEC-Finland and the ECSC/Finland Joint Committees met in Brussels on 28 November 1984 for their regular bi-annual sessions. The delegations were led, on the Community side, by Mr Eberhard RHEIN, Director in the Directorate-General for External Relations, and on the Finnish side by Mr Paavo KAARLEHTO, Ambassador and Head of the Finnish Mission to the European Communities.

The Committee took note of recent developments in EC-Finnish relations. Both sides expressed their satisfaction at the progress which had been achieved so far in implementing the EC-EFTA Luxembourg declaration. They welcomed particularly the meeting between President Gaston E. Thorn, Vice-President Wilhelm Haferkamp and the EFTA Ministers in the margins of the EFTA Council and the first meeting of high officials from both sides to discuss the implementation of the Luxembourg declaration. They expressed the hope that the series of expert level meetings established by the high official meeting would rapidly lead to practical conclusions.

The two sides exchanged views on developments in the paper and timber market both in Scandinavia and in the Community. They confirmed their view that regular exchanges of information would reduce any risk of disturbances in the market.

### The State of EC-Finland Relations

Finland and the Community form, with the other members of the European Free Trade Association, an industrial free trade zone which comprises almost all of Western Europe and its more than 300 million consumers. Spain is the only exception but is currently negotiating membership of the Community. This is the end result of the free trade agreements which were signed in 1972 and 1973 in the wake of the decision by three EFTA Members, Britain, Ireland and Denmark, to become full members of the European Community.

Since the beginning of 1984, tariffs on industrial products have been completely eliminated on the Community side and Finland will complete its transition to free trade at the beginning of 1985. Then bilateral industrial trade will be completely free of tariffs and quantitative restrictions.

Although agriculture was not part of the original agreement, a provision was included whereby both parties would foster the harmonious development of trade. In application of this, an agreement was concluded in 1981 setting out conditions for trade in cheese. In an annex to the 1972 Agreement specific rules were also agreed clearly defining how tariff reductions would be applied to the industrial element of transformed agricultural produce.

### The rules of origin

One of the annexes to the 1972 Agreement sets out the rules governing origin. They define which products will qualify for preferential treatment and ensure that goods do not enter the free trade zone through the country with the lowest external tariff. They encourage joint production between the Community and Finland of industrial products by providing a system of bilateral cumulation. This is closely in line with the economic thought behind the Free Trade Agreement which was to promote economic integration within Western Europe. In this light, a simplification of the rules as introduced in 1983 for engineering products.

### Beyond the Agreement

In the past decade, cooperation has gone well beyond the original scope of the agreements. In a pragmatic way a totally new type of relationship between the Community and Finland has been established within which both sides can deal with any problem of mutual interest.

In April 1984 the Foreign Ministers of the Community and of the EFTA states met in Luxembourg where they committed themselves to consolidating the achievements of the past decade and extending in a pragmatic way cooperation beyond the free trade agreements.

Bilateral contacts at ministerial level has also intensified. In the recent past, Commission President Gaston E. Thorn has visited Finland as did Vice-President Haferkamp in 1979. The Finnish Minister of External Trade visited the Commission in 1981 and recently in May 1984.

As well as these exchanges at ministerial level, the regular meetings of the Joint Committee, set up by the Agreement, have consolidated the close relationship which exists between the Community and Finland and provided an impetus for further developments.

Among the areas of cooperation are:

#### Fish

An agreement was signed in 1983 providing for reciprocal access for Community and Finnish fishermen to each other's waters.

#### Science and Technology

Finland is a regular participant in the Community's Cooperation in Scientific and Technical Research programme (COST). Among the many areas of cooperation are video signal transmission, automobile research, metallurgy and marine navigation. The Community's data transmission network EURONET was interconnected with the Finnish network in 1983.

#### Steel

During the period of the present steel recession the Community and Finland have negotiated annual arrangements regulating trade in steel products.

#### Economic and Monetary Questions

Discussions have taken place between Commission and Finnish experts on monetary and economic questions.

#### Timber and Paper

The Commission and Finnish authorities have exchanged views on prospects for their timber and paper industries.

#### Trade Structure and Development

Although tariffs have not yet been completely removed, trade has expanded considerably since the agreements came into effect. Finnish exports to the Community have more than doubled between 1974 and 1983 from 2235 MECU to 5726 MECU. Finnish imports from the Community increased over the same period by 133% from 1975 MECU to 4629 MECU.

In 1983 some 69% of the Community's exports to Finland consisted of machinery, transport vehicles and other industrial goods; chemical products made up 14%. As far as Finland's exports are concerned paper is the most important item. In 1983, 79% of Finnish exports to the Community were paper and paperboard followed by wood 11%, paper pulp and waste paper 8%, iron and steel 5% and non-ferrous metals 4%. These five product groups make up almost 57% of Finland's exports to the Community.

Consequently free access to the Community and the state of the market for these products in the Community are of great importance for the Finnish economy. Finland is similarly an important market for the Community's exports.

TRADE BETWEEN THE COMMUNITY AND FINLAND

(Million ECU)(\*)

	1973	1975	1978	1980	1982	1983	1984 (3 months)
EC-Import	1624	1807	2996	4503	5177	5726	1797
EC-Export	1389	2023	2070	3466	4399	4629	1283
Balance	-235	+216	-926	-1037	-778	-1097	-514

Source: EUROSTAT

(\*) The exchange rate ECU/dollar varies daily as the various EC currencies which make up the ECU vary against the dollar. One ECU was worth US\$ 1.2 in 1973, US\$ 1.37 in 1979 and US\$ 1.39 in 1980, US\$ 1.12 in 1981, US\$ 0.98 in 1982 and US\$ 0.89 in 1983.