

# EFTA REPORTER

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## EFTA trade declines in January-September 1981

A sharp drop in the value (in dollar terms) of the imports and exports of the EFTA countries is shown in the trade statistics for the first nine months of 1981. The figures are difficult to interpret because of the appreciation of the dollar in 1981 but nevertheless indicate a significant slowdown in trade.

Revised figures show that the total imports of the EFTA countries were 17.5 per cent lower than in January-September 1980 and their exports 11.4 per cent lower. A regional breakdown of the figures, just available, shows that imports from the EC fell by 20.7 per cent in value and exports to the EC by 15.2 per cent. (The figures for the EC include Greece for both years, although it became a member of the EC only on 1 January 1981.) Intra-EFTA trade, measured in exports, went down by 16.4 per cent. Trade with the USA fell by about 4 per cent in value.

The two EFTA countries whose exports declined least in dollar terms were Norway and Finland. Norway's total exports were only 0.9 per cent down and its exports to the EC virtually unchanged, the export of oil largely accounting for this stability. Finland's total exports went down only by 4.8 per cent largely because of the increase in its sales to Eastern Europe.

The decline in the value of imports was least in the case of Portugal, about 2 per cent. (The figures include estimates for its trade in September since official data are not yet available.)

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EFTA TRADE FROM JANUARY TO SEPTEMBER 1981

WITH PERCENTAGE CHANGE ON JANUARY-SEPTEMBER 1980

(IN US\$ MILLION)

	<u>EFTA</u>	<u>%</u> <u>CHANGE</u>	<u>EC</u>	<u>%</u> <u>CHANGE</u>	<u>USA</u>	<u>%</u> <u>CHANGE</u>	<u>WORLD</u>	<u>%</u> <u>CHANGE</u>
<b>IMPORTS (C.I.F.)</b>								
AUSTRIA	1,124.3	-22.6	8,820.8	-24.1	622.3	1.4	15,067.5	-18.2
FINLAND	1,675.8	-16.5	3,258.7	-17.2	743.8	13.6	9,950.3	-14.0
ICELAND	148.2	-11.2	293.6	-7.0	53.2	-29.2	645.7	-14.2
NORWAY	2,539.8	-12.6	4,967.7	-17.5	991.5	2.0	10,692.2	-14.1
PORTUGAL	487.4	-3.0	2,518.6	-5.5	780.3	5.2	6,611.7	-1.9
SWEDEN	3,205.0	-16.6	9,258.4	-24.1	1,527.0	-14.4	18,968.5	-22.7
SWITZERLAND	1,551.5	-17.0	14,563.9	-20.6	1,698.0	-7.9	22,104.2	-19.1
EFTA	10,732.0	-15.8	43,681.7	-20.7	6,416.1	-4.0	84,040.1	-17.5
<b>EXPORTS (F.O.B.)</b>								
AUSTRIA	1,337.2	-17.4	5,893.5	-19.6	276.3	-3.9	11,045.7	-15.5
FINLAND	1,991.1	-19.4	3,501.8	-16.8	354.4	12.4	9,790.4	-4.8
ICELAND	111.1	10.2	171.8	-33.9	131.6	-13.6	576.4	-14.2
NORWAY	1,493.9	-10.5	9,033.1	-0.1	491.3	19.4	12,665.7	-0.9
PORTUGAL	396.7	-17.9	1,537.6	-19.1	153.8	-19.0	2,921.5	-14.3
SWEDEN	3,798.5	-17.9	8,884.2	-21.6	1,089.0	-9.8	18,863.0	-15.7
SWITZERLAND	1,696.0	-14.6	9,431.1	-16.6	1,458.4	-7.0	18,995.7	-13.2
EFTA	10,824.5	-16.4	38,453.1	-15.2	3,954.8	-4.3	74,858.4	-11.4
TRADE BALANCE	92.5		-5,228.6		-2,461.3		-9,181.7	

The external balance in most EFTA countries, as in many other industrialised countries, strengthened significantly in 1981. In the first nine months of the year the trade deficit of the EFTA countries as a group amounted to dollars 9,182 million, compared with dollars 17,324 million for the corresponding months of 1980. The deficit on trade with the EC amounted to dollars 5,229 million, compared with 9,728 million a year earlier.

#### Non-tariff barriers to trade

At the last meeting of the year the EFTA Councils agreed to consider early in 1982 whether the 1979 GATT agreements on non-tariff measures required any changes in EFTA rules and practice, earlier studies having shown that there were no major discrepancies between the two.

Most EFTA countries have signed the GATT agreements - on subsidies and countervailing duties, technical barriers to trade, customs valuation, government procurement, and import licensing procedures - and also agreed (in November 1979) that in their relations with each other they would apply the more liberal of the two sets of rules, whether the EFTA provisions or the new GATT codes. The study about to be undertaken will determine whether the experience of two years' application of most of these agreements shows a need for any changes in the detail of EFTA's rules and practice.

#### Government aids

On government aids, another source of possible trade barriers, the EFTA Secretariat invited the EFTA governments in December to up-date the information they supplied over a year earlier on the aids they provide for industry. A thorough discussion of the aids notified led the Committee of Trade Experts to conclude in March 1980 that it had not found, in the measures notified, any which actually frustrated the benefits expected from the freeing of trade in EFTA. Some delegations did not rule out the possibility that some of the measures could have a negative effect on the trade between the EFTA countries, especially if the possible cumulative effect of different aid measures were taken into account. Others stressed that no negative effects of this kind had been felt.

The EFTA Councils noted the conclusions in July. They affirmed the importance of the full observance and effective implementation of the agreement reached in 1968 on the interpretation of the EFTA rules on government aids. They also recalled their agreement that cooperation between the EFTA countries concerning the introduction and application of aid measures was necessary and that government aids would be kept under review, and consequently reaffirmed that the Secretariat should keep the information on government aids up-to-date at intervals of a year or whenever a special need for such enquiries is felt. The Councils laid down that the notifications should also cover export credits.

## Relations with Yugoslavia

A Yugoslav proposal that there should be a change in the institutional framework for the trade and economic cooperation between Yugoslavia and the EFTA countries was put forward at the October meeting of the Joint EFTA-Yugoslavia Committee and is now being considered in the EFTA capitals.

The proposal was made after a discussion of the evolution of EFTA-Yugoslavia trade which confirmed the persistence of a large Yugoslav deficit throughout the past ten years. A report by an ad hoc group of experts, written as a basis for the discussion, showed that although the trade in both directions had grown substantially in value during that period, the EFTA countries' share of Yugoslavia's imports had fallen from 10.8% to 8.2% between 1971 and 1980 and their share of Yugoslavia's exports had dropped from 7.5% to 4.7%. The experts were of the opinion that Yugoslavia's deficit should be reduced rather by increasing its exports than by cutting its imports.

Some 90% of EFTA-Yugoslavia trade is accounted for by three EFTA countries, Austria, Sweden and Switzerland. These three countries, and Finland and Norway, give preferential tariff treatment to a very wide, though not identical, range of industrial imports from Yugoslavia and to some of its agricultural exports.

A number of practical suggestions for expanding trade with Yugoslavia were put forward by the expert group and accepted by the Joint Committee. Prominent among them was the need for fuller information about trade regimes and commercial possibilities. It was agreed that the EFTA Secretariat should help by assembling and disseminating such information. The Secretariat is considering the most appropriate methods of doing so.

## Infant industries in Portugal

The EFTA Councils are considering a request from Portugal for a revision of the special EFTA provisions which enable it in particular cases to protect infant industries. The request, identical in effect to one addressed at the same time to the EC, is motivated by the need for a revival of Portuguese industry in preparation for the country's accession to the EC.

At present both EFTA and the EC permit Portugal in specific cases to introduce or increase duties (up to a maximum of 20% ad valorem) on products that are also made by industries newly established or about to be established in Portugal. The duties have to be reduced according to a timetable laid down by the Councils and abolished by the end of 1984. Arguing that the deadline limits the practical effect of the concession, Portugal asked for an extension until the end of 1989, with the same maximum duty. The request would entail an amendment to the Convention.

## Consequences for EFTA of Portuguese entry into EC

Questions relating to the future relationship between Portugal and the other six EFTA countries once Portugal enters the EC are now being discussed within EFTA.

The status of Portugal differs from that of the other two southern European countries involved in the second enlargement in the EC. Greece, which acceded to the EC on 1 January 1981, had no tariff-removing agreements with the EFTA countries. Its relations with them is now based on their free trade agreements with the EC, supplemented by provisions permitting a five-year transition for the removal of tariffs on some products. A multilateral free trade agreement, in force since 1 May 1980, links the EFTA countries with Spain and has already involved tariff reductions on the trade between them; and the free trade agreements will govern their trade after Spain's accession to the EC.

But in the case of Portugal, membership of EFTA has led to the complete removal of tariffs on Portuguese industrial products imported into the other EFTA countries, and the limited number of tariffs that remain on EFTA industrial imports into Portugal are at present scheduled to disappear at the end of 1984, one year after the prospective entry of Portugal into the EC.

The Portuguese request (see previous item) for a longer protection of infant industries is one of the matters being discussed in the context of the consequences of Portuguese EC membership. Other aspects relate to differences in the obligations and rights under the EFTA Convention and the Free Trade Agreements.

## Iceland-Switzerland agreement on agricultural and marine products

An agreement between Iceland and Switzerland on trade in agricultural and marine products formally frees from import duty in Switzerland the import from Iceland of all saltwater fish which are not already duty-free within EFTA. It also commits Iceland to take account so far as possible of Swiss interests in the export of agricultural products. The tariff concessions in the agreement, which invokes EFTA's objectives in trade in agricultural and marine products, will apply to imports from all EFTA countries. The agreement will come into force after ratification in Iceland and Switzerland.

The objectives listed in Articles 22 and 27 of the EFTA Convention are to facilitate an increase in the trade in agricultural and marine products which will provide reasonable reciprocity to EFTA countries whose economies depend to a great extent on the export of these products.

So far as the trade in fish is concerned the agreement represents a continuation of attempts to bring about a further liberalisation within EFTA. A thorough exploration of the possibilities of liberalising trade in both saltwater and freshwater fish led an expert group to conclude in February 1981 that there was no consensus on the subject in EFTA. The experts' report was noted by the Councils in April.

#### Cash deposit scheme for furniture imports in Iceland

In December the Councils agreed to authorise Iceland, at its request, to re-introduce for one year an obligation on importers to deposit 35 per cent of the invoiced value of consignments of furniture. The request was made because of the persistence of the serious difficulties created for the domestic industry by the removal of duties on imports from EFTA and the EC. A similar import deposit scheme was in force for most of 1979 and all of 1980. Iceland is to present a report to the Councils in July on the operation and effects both of the import deposit scheme and of the recovery programme which has concentrated on improving productivity within the industry.

#### EFTA scholarships

Graduates doing research into the activities of EFTA or European trade and trade policy are reminded that the deadline for applications for EFTA research scholarships is 15 February 1982. As was announced in November, EFTA will award up to four scholarships (of 5,000 to 10,000 Swiss francs) during the current academic year. Further information can be obtained from the address at the bottom of the cover page.

#### EFTA traineeships

The EFTA Secretariat is offering six-months' traineeships to nationals of EFTA countries who are graduates or are completing a degree course at a university or similar institution. The relevant academic fields of specialisation include trade policy, international relations, international law, and economics. A good working knowledge of English is required. Under the present programme two trainees are taken on in January and two in July. A monthly allowance of 1,000 Swiss francs, net of taxes, is paid but this will not normally cover living expenses. Applications should be sent to the Director, Administration, at the address at the bottom of the cover page.