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EFTA: work in progress

- Nineteen eighty-five has been a year of movement in EFTA, which has
- again broadened the scope of its cooperation with the European Community, its principal trading partner;
 - agreed to, and welcomed, the accession of Finland to full membership;
 - prepared for the change in its relationship with Portugal that would follow Portugal's accession to the EC;
 - entered into negotiations on the removal of remaining tariffs on EFTA-Spain trade, in connection with Spain's accession to the EC; and
 - increased its presence in GATT, actively campaigning and preparing for a new round of comprehensive trade negotiations.

EFTA and the EC

EFTA-EC relations have continued to expand on the basis of the Luxembourg Declaration - the statement of the main lines for the development of cooperation which was adopted by EFTA and EC ministers in April 1984. The highest priority was given to efforts to facilitate the free movement of goods within the European free trade system, which includes all EFTA and EC countries. During the year progress has been achieved particularly in the



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field of technical barriers to trade: new relationships were established with the principal standards-writing bodies in Western Europe with the aim of hastening the removal of technical barriers, especially in technologically advanced goods. There was also progress towards a simplification of trade documents, and work continues with the aim of improving the origin rules used in the European free trade system.

Research and development form another sphere in which the EFTA countries can contribute to cooperation with the EC, as a means of strengthening the competitiveness of industry in Europe. Sweden and Switzerland have already concluded agreements with the EC which set a general framework for cooperation in research and development, and the other EFTA countries (apart from Iceland) are negotiating similar arrangements. The fact that all EFTA countries but Iceland are taking part in the Eureka scheme for cooperation in the field of high technology is seen as a good omen for the participation of EFTA firms and institutes in other joint R & D programmes.

A second range of priorities was selected in October. It was agreed that experts from both sides should discuss the measures which the countries applied to deal with possible cases of dumped imports: the aim would be to avoid unnecessary disturbances to trade flows. Other experts were to consider how to increase access to public purchasing contracts in EFTA and the EC. Then, exchanges of information on economic prospects and policies - such as took place in Reykjavik last April - are to become regular events, with the aim of finding ways to combat unemployment and promote economic growth and international monetary stability. Moreover, cooperation in the protection of the environment is envisaged: ways of improving the supply and exchange of information particularly on the impact of air pollution and dangerous substances are to be explored; and experts will consider in what ways EFTA can cooperate in the European Year of the Environment 1987. Finally, there will be further discussion of the case for removing restrictions within the European free trade system on the export of non-ferrous waste and scrap.

One final point about the development of cooperation with the EC: when EFTA Ministers and the Commission met in Vienna last May there was agreement that they should meet

regularly in the future. The purpose is to see that progress continues towards the realisation of an open and dynamic economic space in Western Europe which will benefit all its countries and strengthen their economies.

In 1984, the last full year for which statistics are available, the EC was the source of 54.0 per cent of imports into the EFTA countries and the market for 52.2 per cent of its exports.

Finland to be a full member of EFTA

Finland, which has been an associate member of EFTA since 1961, applied on 30 September for full membership. The application was unanimously approved by the EFTA Ministers at their meeting in November. It should take effect from 1 January 1986 provided the Finnish government has notified its acceptance by then.

In terms of the day-to-day work of EFTA the change in Finland's status is of minor importance. Five times in the history of the Association Finland has held the chairmanship in EFTA for the usual six-month period. Its choice of full membership now is seen as an acknowledgement of EFTA's role as a permanent element in the European free trade system.

Portugal's departure from EFTA

Finland's assumption of full membership should coincide with the departure of Portugal on its entry into the EC, also scheduled for 1 January 1986.

On 12 June 1985, eight years after Portugal formally applied for EC membership, its Prime Minister signed the treaty documents which set out the terms on which it is joining the Community.

At present the trade in industrial goods between the other EFTA countries and Portugal is, with certain exceptions, duty-free. To a very large extent this will continue to be the case in the future, but on the basis of the free trade agreements between the other EFTA countries and the EC. Negotiations are, however, taking place to determine the arrangements for the transition to complete free trade in industrial products.

In connection with Portugal's departure from EFTA amendments are being made to the statute of the Fund which EFTA set up in 1977 to help finance new fixed investments in small and medium-sized firms in Portugal. The assumption is that the Fund will continue to contribute to the growth and modernisation of Portuguese industry up to the year 2002, as originally intended.

Trade relations with Spain

Like Portugal, Spain is to become a member of the EC from 1 January 1986. From that date the trade between the EFTA countries and Spain will be subject to the principles of the free trade agreements. From the same date will lapse the agreement of 1980 which brought substantial cuts in the import duties on trade between the EFTA countries and Spain. This agreement not only served as a preparation for the final dismantling of tariffs on industrial goods under the free trade agreements: it also ensured that EFTA's tariff cuts on manufactured imports from Spain matched the reductions made by the EC.

Negotiations are now taking place between the EFTA countries and the EC (including Spain) to settle, among other things, the timetable for the final stages of the removal of industrial tariffs in EFTA-Spain trade. The EFTA countries argue that during a transitional period industrial imports entering Spain from the EFTA countries should be given the same treatment as imports from the EC; industrial imports from Spain will be given the same treatment as they receive in the EC.

EFTA and the new GATT round

Constant advocates of trade liberalisation, the EFTA countries have taken every opportunity to express their support for a new round of trade negotiations in GATT. In this they have acted both individually and on occasion as a group. A joint EFTA statement of the need for comprehensive negotiations and of a way to prepare for them was agreed by EFTA Ministers in May and later presented to GATT. This was the first time that the EFTA countries have intervened to express a common view on an important trade policy matter. As the approach to a new round developed in the following months, the EFTA countries engaged in regular and frequent consultations with each other, so as to be able to give the maximum support to a concept of the negotiations that would encourage the widest participation.

Forthcoming meetings

January 21-22	Committee of Trade Experts
February 17-21	Committee on Technical Barriers to Trade
March 14	Industrial Development Fund for Portugal: Steering Committee
April 8-9	Consultative Committee

Meetings of the Council at official level are not listed. They usually take place once a fortnight.