

COMMISSION OF THE EUROPEAN COMMUNITIES

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THE COMMUNITY AND THE EFTA COUNTRIES

Implementation of the joint Déclaration issued in Luxembourg
on 9 April 1984

(Communication from the Commission to the Council)

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I. INTRODUCTION

1. By their Joint Declaration issued in Luxembourg on 9 April 1984, ministers from the Community Member States and the EFTA countries¹ and the Commission expressed their political will to extend Community-EFTA cooperation "with the aim of creating a dynamic European economic space of benefit to their countries".

The Declaration has been greeted with enthusiasm by representatives of industry, business and political life on both sides.

2. Since April 1984 there have been numerous meetings at different levels between EFTA representatives and Commission officials, to seek practical ways of giving early effect to the Luxembourg objectives while not overlooking the other subjects covered by the Declaration.

3. The Commission's programme of work for 1985 lays particular stress on the need to develop close relations with the EFTA countries, and the Commission is now ready to present its views on the matter to the Council.

EEC-EFTA Cooperation

4. In this connection, it would draw attention to the following points:

- Under the 1973 Free Trade Agreements, customs duties, quantitative restrictions and all measures having equivalent effect have been abolished between the Community and EFTA countries in respect of industrial products.

¹ Austria, Finland, Iceland, Liechtenstein, Norway, Portugal, Sweden and Switzerland.

- The Community and the EFTA countries together constitute the world's largest free-trade area, offering a market of over 300m inhabitants which will increase to 350m with Spanish accession.

- The EFTA countries are far and away the Community's largest market, taking over 23% of its exports, much as goes to the United States; more than 50% of total EFTA exports go to the Community.

- There is considerable integration of Community and EFTA industries, thanks to direct investment, joint ventures, technical cooperation agreements, etc. Close cooperation has been built up whose full development, however, is dogged by administrative red tape, technical and fiscal barriers, etc.

- Economic policy coordination, contacts and consultations between the Community and the EFTA countries have increased steadily and now go well beyond the field of trade to cover transport, energy, the short-term economic outlook, the environment and services.

The principles of future cooperation

5. The increased economic and political integration towards which the Community is headed will enable it to envisage even closer cooperation with its EFTA neighbours without running the risk of losing its identity in a large free-trade area. Such cooperation should be guided by the following four principles:

- (a) Community integration and the Community's independent powers of decision must under no circumstances be affected.

- (b) The elimination of technical barriers to trade and the simplification of administrative formalities at Community-EFTA frontiers are a logical extension of the Free Trade Agreements and should be pursued parallel to the progressive integration of the Community's internal market.
- (c) No specific field should be excluded a priori for cooperation. The Community must, for example, also step up coordination with EFTA countries in fields such as transport or environmental policy, which of their nature cannot be limited by frontiers and are also issues of great concern to ordinary people.
- (d) It will only be possible to progress towards achievement of a wider European market if the costs and benefits involved are shared equally. Measures taken in parallel must involve real reciprocity.

Areas of future cooperation

6. Giving effect to the Luxembourg Declaration is bound to be a continuing and lengthy process.

- (a) As far as the Commission is concerned, the first priority, in both sides' interest, must be to abolish a whole series of technical and administrative obstacles.

This will involve three things:

- the simplification of administrative trade formalities;
- the simplification of origin rules;
- the simplification and harmonization of technical standards and procedures for the recognition of tests and certification.

(b) Other areas where cooperation should, in the Commission's view, be undertaken straight away are:

Research: increased cooperation aimed at consolidating European capabilities and resources.

Agriculture: extending special arrangements for both processed and non-processed products beyond those already in operation.

Public contracts: progressive liberalization of public contracts throughout Community-EFTA area.

Border controls on travellers: maximum easing of controls and formalities between Community and EFTA countries.

Transport: increased collaboration in all areas of transport, particularly transit, tariffs, etc.

Environment: harmonization of measures to protect the environment.

Economic, monetary and social matters: Increased consultation and coordination in these areas both in respect of each other's internal policies - especially to combat unemployment - and at international level (concerting of efforts to maintain and consolidate the open multilateral trading system).

II. GUIDELINES FOR FUTURE COOPERATION IN VARIOUS AREAS

A. PROGRESSIVE REDUCTION OF BARRIERS TO TRADE BETWEEN THE COMMUNITY AND EFTA

1. Simplification of border formalities

(a) The Community has embarked on the gradual elimination of controls on the movement of goods at its internal frontiers. This entails, in the shorter term, easing controls and formalities at frontiers, trimming down Community transit rules, launching the "single document" and introducing a single control system, to be carried out by the customs authorities of the importing country on behalf of the customs authorities of the exporting country.

(b) In the Commission's view it is in both sides' interest that this process of simplification be extended to cover trade with the EFTA countries. Specific agreements could be concluded with the EFTA countries on the easing of controls and formalities and on transit procedures.

In addition, the Commission plans to discuss with EFTA countries, who have expressed interest in the possibility, the application of the "single document" - to be introduced in the Community from 1 January 1988 - to EEC-EFTA trade from the same date.

The Commission will hold exploratory talks with the EFTA countries in this connection and then submit concrete proposals to the Council.

2. Simplification of origin rules

The complexities of the origin rules lead to excessive administrative costs. They must be simplified.

(a) Moves have already been made. The "Harmonized System", the new international customs and statistical nomenclature to be introduced on 1 January 1987, will make for greater transparency of the rules of origin. In addition, the Commission will propose to the Council in the coming weeks that the simplified "alternative rules" introduced for an experimental, three-year period (1 April 1983 - 30 March 1986) be given permanent status.

(b) The Commission wishes to see further progress in this direction, particularly as regards simplification of the documentary proof of origin and transmission of origin data via a telecommunications system (as already planned on an intra-Community basis). It also plans to examine thoroughly in conjunction with the EFTA countries the effects of a cumulation system. It will refer the matter to the Council as soon as the relevant technical studies have been completed.

3. Technical standards and rules

The multiplicity and complexity of (sometimes widely variant) national standards and technical rules are serious barriers to trade. The Community is engaged in a lengthy process of harmonizing these and, in some cases, replacing them with common standards and rules, the emphasis being on new standards for high-technology goods.

(a) Cooperation between the Community and the EFTA countries already exists. The latter are involved in the information procedure set up by the Community through the European standards bodies CEN (European Committee for Standardization) and CENELEC (European Committee for the Coordination of Electrical Standards), as also are their standardization institutes. Regular exchanges of views between the Community and EFTA on technical standards and rules take place through these committees.

(b) The new approach to technical harmonization and standardization proposed by the Commission in January enhances the role of the CEN and CENELEC. The Commission accordingly considers it a matter of urgency that these bodies are supplied the means by the Community and EFTA to carry out their work as efficiently as possible; it will be making proposals to this effect.

(c) In view of their technical and economic importance, the Community has set about devising joint technical standards and specifications for information and telecommunications technology products through the CEN and CENELEC, on the basis of the work on international standardization. This new initiative has particular importance for the work carried out by the CEPT (European Conference of Postal and Telecommunications Administrations) - of which the EFTA countries are also members - in the telecommunications sector. It is important that the CEPT recommendations take the form of clear and precise specifications so as to be able to be applied uniformly by post and telegraph services and other telecommunications operators throughout the EEC-EFTA area. These measures should be devised taking into consideration the analogous measures relating to applications of information technology in general.

4. Mutual recognition of test results and certificates

(a) The Commission and the Member States have undertaken new measures aimed at ensuring genuine intra-Community mutual recognition of test results and certificates taking into account the experience of the last fifteen years. The first stage in this process consists of undertaking a comprehensive investigation of the various testing and certification systems in use in the Community with a view to compiling an inventory of the laboratories and bodies involved. It has been agreed with the EFTA countries that they will undertake similar measures concurrently.

(b) The Commission favours working towards similar mutual recognition between the Community and the EFTA. It therefore believes that both EEC and EFTA experts should actively pursue the work they have started in this connection as well as, inter alia, undertaking an evaluation of the system currently in operation between the EFTA countries and of the existing bilateral arrangements for mutual recognition. The Commission will make appropriate proposals in due course in the light of the above findings.

B. COOPERATION ON RESEARCH AND DEVELOPMENT

The Luxembourg Declaration lays particular stress on closer cooperation between the Community and EFTA in the field of research and development and, in particular, in relation to "sunrise" industries and technology.

1. At the moment cooperation on research and development is limited to two main elements:

a number of EFTA countries, in particular Sweden and Switzerland, are participants, in a pragmatic way, in a limited number of Community research programmes (thermonuclear fusion, environment, raw materials, etc.);

the Community, the Member States and EFTA countries work together on specific research projects (COST projects) in various fields.

2. The Commission believes that it is in the Community's interest to consolidate the scientific and financial bases of European research. This means that, once the internal requirements have been fulfilled, the involvement of the EFTA countries in certain Community programmes (rather than in individual projects and contracts) to a greater extent, the conditions of such involvement to be agreed for each individual case; this applies particularly to the programme concerned primarily with cooperation in the development of information and telecommunications technology.

Such cooperation must take due account of the particular characteristics of this area, the major private sector financing involved in it and the part such research will have to play in the achievement of Community goals for European industrial development.

The Commission will first investigate with the Community industries concerned and its potential EFTA partners the implications of such cooperation, taking into account, inter alia, the EFTA countries' R&D capacity, their potential contribution to Community technological and industrial development (and vice-versa), the prospects for long-term cooperation and the importance of the respective markets.

C. AGRICULTURE

1. Trade in processed agricultural products

- (a) The Free Trade Agreements provide for the reduction or abolition of "industrial" protection in respect of a number of processed agricultural products. Many products are not covered, notably alcoholic beverages.
- (b) The Commission sees no justification for the exclusion of food industry products from free trade, especially given the level of integration of this industry throughout Western Europe. It accordingly intends to open exploratory talks with the EFTA countries with a view to extending free trade in the processed agricultural products sector and will submit appropriate proposals taking due account of the conditions obtaining in the relevant sectors within the Community.

¹ The products in question (confectionery, preserved fruit and vegetables, jams, pasta, sausages, etc.) are listed in the Protocols 2 annexed to the Free Trade Agreements.

2. Trade in other agricultural products

(a) Special arrangements for trade in cheese are currently in force between the Community and various EFTA countries and an arrangement on trade in wine is contemplated.

(b) The Commission and the EFTA countries will be looking together for ways of improving these arrangements and establishing new arrangements for other agricultural products.

D. OPENING UP COMMUNITY-EFTA GOVERNMENT PROCUREMENT

1. Since 1976, government contracts for more than a certain amount have been open to tenders from firms throughout the Community; however, there are important exceptions to this rule. At the same time, the EFTA countries have been liberalizing government contracting procedures to some extent among themselves.

Both the Community and the EFTA countries adhere to the GATT Code, which applies to central government procurement but not the activities of regional or local bodies. Some such bodies in EFTA countries have been found to discriminate against Community firms, and their practices are incompatible with the general principle of non-discrimination underlying the Free Trade Agreements.

2. The Commission considers that the time is now ripe to tackle this issue, which was included in the Luxembourg Declaration at the Community's request. Specifically, it intends jointly with the EFTA countries to examine the feasibility of general invitation to tender and contracting rules for the whole Community/EFTA area, covering the telecommunications sector as well.

Meanwhile it will be continuing talks already under way with some EFTA countries with a view to finding pragmatic solutions to the discriminatory practices encountered in this field.

E. RELAXING CONTROLS ON TRAVELLERS AT COMMUNITY-EFTA BORDERS

The general public regards border controls within Western Europe as an anachronism.

1. The Commission has put proposals to the Council aimed at streamlining checks and formalities for citizens of Member States crossing intra-Community frontiers to be streamlined. A number of steps in this direction have already been taken at national level (e.g. Germany-France and Germany-Austria). Others are being prepared.

2. The Commission considers an easing of controls on travellers as a logical concomitant to a genuine European internal market, and intends, once the Council has adopted the proposals referred to in the previous paragraph (which are supposed to come into force on 1 July), to open exploratory talks on this issue with the EFTA countries (at their own request). The Commission would point out that such simplification calls for parallel, joint efforts to tackle problems such as drugs and terrorism.

F. TRANSPORT

1. Transport is a field inherently "inter-national" which thus lends itself to broader European cooperation. Such cooperation already takes place in international organizations¹ and multilateral negotiations,² and also on a bilateral basis, between the Community and certain EFTA countries.³ The Commission advocates the expansion and intensification of these various cooperative activities, and a broadening of the regular discussions with EFTA countries.

2. Cooperation with the EFTA countries is also indicated in the search for a European solution to the problem of infrastructure user charges (including taxation of road vehicles). However, such a solution (which will have to take account of important work under way in the ECMT) will first require the Council to frame a Community position, inter alia by adopting the Commission's proposals for a harmonized taxation structure.

3. It is particularly important to develop relations with Austria, which have a crucial bearing on Community transit traffic. The Commission would stress the importance of early Council approval of new directives authorizing it to negotiate a transport cooperation agreement with Austria to facilitate North-South and NW-SE traffic within Europe, taking in certain financial matters as well.

¹Including the European Conference of Ministers of Transport (ECMT), the UN's Economic Commission for Europe (ECE), the Central Commission for the Navigation of the Rhine (CCNR) and the European Civil Aviation Conference (ECAC), and the OECD.

²E.g. the combined transport negotiations (Council decision of 26 March 1981) and the ASOR Agreement.

³E.g. negotiations with Austria on transport (Council decision of 15 December 1981).

The Commission is also of the opinion that the Community and its Member States should cooperate in Austria's efforts to set up a combined rail/road system aimed at shifting some of the through traffic from its roads. This question will be on the agenda of the Council meeting of transport ministers in May.

4. The Commission will continue to stress to the Swiss authorities the Community's concern at Switzerland's recent introduction of road taxes, which are an instance of double taxation and discrimination against Community vehicles.

G. ENVIRONMENT

The Commission maintains regular contact with a number of EFTA countries (Austria, Norway, Sweden and Switzerland) in the sphere of environmental protection. The recent Council decisions on standards governing exhaust gases should mean that the EFTA countries, and in particular Austria, Switzerland and Sweden - which have also laid down new standards to be applied in their territory - will cooperate in a constructive manner with the Community as such, in order to attain common objectives and the most extensive possible Europe-wide harmonization and in order to avoid the creation of new trade barriers.

The Commission will request the EFTA countries to coordinate the action they take in the environmental sphere with the action taken by the Community, notably in the light of the forthcoming discussions in the Council.

H. ECONOMIC, MONETARY AND SOCIAL ISSUES

1. The Commission holds annual exchanges of views on these matters with all the EFTA countries and also, at bilateral level, with Austria, Finland, Norway, Sweden and Switzerland. An initial meeting on unemployment and job creation was held in Reykjavik on 22 April between representatives of the Commission and the Economic Committee of the EFTA countries.

A number of proposals and conclusions have been formulated and will be communicated to the Community authorities and the EFTA countries. The Commission intends to pursue and further intensify these contacts.

2. As regards monetary issues, a new step towards greater cooperation is being taken. Following the agreement reached in mid-March between the Governors of the Member States' central banks, the central banks of non-member countries - and in particular of certain EFTA countries - could now be authorized to hold ECU under the conditions specified by the European Monetary Cooperation Fund (EMCF). The Finance Ministers were notified at their informal meeting in Palermo on 13 April of the agreement reached by the Governors of the central banks. In order that EMCF may be authorized to designate non-Community holders, the Community legislation on the matter must be amended. The Commission will present the necessary proposals in the next few weeks.

3. The Luxembourg Declaration also stresses the stepping-up of consultations on international economic and trade issues.

The Commission has built up this consultation on a pragmatic basis, either at bilateral level or with all the EFTA countries, as an incidental part of meetings of international bodies such as GATT or the OECD. It intends to continue and intensify the consultation, in particular as part of the preparation of a new round of international negotiations.

III. OTHER FIELDS OF COOPERATION

In addition to the sectors considered above, there have been regular contacts in other fields referred to in the Luxembourg Declaration, either with all the EFTA countries or with some of them individually.

For example, the Commission has regular discussions with Norway and Sweden on such matters as consumer protection and development aid to certain parts of the world. Similarly, as part of the administration of the steel arrangements, the Commission regularly consults the EFTA supplier countries (Austria, Finland, Norway and Sweden).

It goes without saying that the Commission will continue these contacts, and also the examination of the other fields referred to in the Luxembourg Declaration which are not covered in this Communication, and will inform the Council at the appropriate time concerning the conclusions it has reached as a result of its examination.

IV. CONCLUSIONS

The policy guidelines outlined above for future cooperation between the Community and the EFTA countries represent the framework of reference within which the Commission intends to conduct the work of following up the Luxembourg Ministerial Conference of 9 April 1984.

As the preparatory work proceeds, the Commission will lay before the Council specific, detailed implementing proposals.

Annex

EXTRACTS FROM THE LUXEMBOURG JOINT DECLARATION OF 9 APRIL 1984

2. ... Ministers were therefore convinced of the importance of further actions to consolidate and strengthen cooperation, with the aim of creating a dynamic European economic space of benefit to their countries.

3. With this in mind, Ministers considered it essential ... to pursue their efforts towards improving the free circulation of the industrial products of their countries, in particular in the following areas: harmonization of standards, elimination of technical barriers, simplification of border formalities and rules of origin, elimination of unfair trading practices /and/ state aid contrary to the Free Trade Agreements, and access to government procurement. In this regard the Community's efforts to strengthen its internal market are of particular relevance. Ministers are confident that, as in the past, it will prove possible to find well-balanced solutions, based on reciprocity, in the spirit of the Free Trade Agreements.

4. Ministers stressed the importance of continued pragmatic and flexible cooperation between the Community and its Member States and the EFTA States beyond the framework of the Agreements. Such cooperation has developed over the years in numerous fields of mutual interest as a natural extension of ever-growing trade relations.

Ministers agreed to broaden and deepen such cooperation between the Community and its Member States and the EFTA States. Increasing economic interdependence between the Community and the EFTA countries calls, in particular, for cooperation in research and development. Ministers stressed the need to increase these efforts, for instance within the framework of COST and in organizations involving some of the countries concerned, and particularly to promote mobility for European research workers. They wanted particular attention to be given to certain industrial and technological fields of the future, such as telecommunications, information systems or the new audio-visual media.

5. Cooperation and/or consultations in fields such as transport, agriculture, fisheries and energy should be intensified.

Consultations, contacts or exchanges of information with regard to working conditions, social protection, culture, consumer protection, the environment, tourism and intellectual property are also envisaged ...

6. Ministers confirm the need ... to reduce the unacceptably high level of unemployment - which affects the young in particular and creates a major problem for the economies and societies in their countries - without rekindling inflation. They will seek to concert their policies in these fields. ...

7. Lastly, through closer cooperation, Europe will be in a better position to create conditions for growth and to play a more important role in the world, particularly by increasing contacts in the sphere of economic and monetary policy.

With this in mind, Ministers agreed to increase their consultations and exchanges of information on economic problems and current trade difficulties with a view to finding equitable solutions with their principal trading partners in particular, with the aim of strengthening the open and multilateral trading system. ...

They also agreed to increase their consultations on development questions
... .

Ministers agreed to pursue these goals together both in international fora such as OECD, GATT, IMF, World Bank, and also bilaterally.

8. Ministers expressed their political will to work towards achieving these objectives.