

European Communities

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# Working Documents

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12 March 1984

DOCUMENT 1-1496/84

REPORT

drawn up on behalf of the Committee on  
External Economic Relations

on economic and trade relations between the  
EEC and EFTA

Rapporteur: Mrs PRUVOT



During its sitting of 13 December 1982, the European Parliament referred the motion for a resolution by Miss HOOPER (Doc. 1-942/82) and at its sitting of 15 September 1983 the motion for a resolution by Mrs NIELSEN on relations with the Nordic countries (1-709/83) pursuant to Rule 47 of the Rules of Procedure to the Committee on External Economic Relations as the committee responsible and to the Committee on Economic and Monetary Affairs and the Political Affairs Committee for their opinion.

At its meeting of 19 January 1983 the committee decided to draw up a report and appointed Mrs PRUVOT rapporteur.

It considered the draft report at its meetings of 2 November 1983 and 22 February 1984; at the latter meeting it unanimously adopted the motion for a resolution as a whole.

The following took part in the vote: Sir Fred CATHERWOOD, chairman; Mr van AFRSSEN, second vice-chairman; Mrs BADUEL GLORIOSO, Mr BORD, Mr DAMSEAU (deputizing for the rapporteur, Mrs PRUVOT), Lord HARMAR-NICHOLLS (deputizing for Miss HOOPER), Mr MOMMERSTEEG, Mrs MOREAU, Mr PELIKAN, Mr PESMAZOGLOU, Mr RADOUX, Mr RIEGER, Mr RIVIEREZ, Mr SPENCER, Mr STELLA and Sir Jack STEWART-CLARK.

The Committee on Economic and Monetary Affairs and the Political Affairs Committee will not be delivering an opinion.

This report was tabled on 28 February 1984.

The deadline for the tabling of amendments to this report appears in the draft agenda for the part-session at which it will be debated.

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The Committee on External Economic Relations hereby submits to the European Parliament the following motion for a resolution together with explanatory statement:

MOTION FOR A RESOLUTION

on economic and trade relations between the European Community and the EFTA countries

The European Parliament,

- having regard to the motion for a resolution by Miss HOOPER (Doc. 1-924/82)
- having regard to the motion for a resolution by Mrs NIELSEN (Doc. 1-709/83)
- having regard to the proposal from the Commission to the Council (Doc. 1-58/83)
- whereas with the abolition of customs duties between the EEC and EFTA from 1 January 1984 the largest free trade area in the world has been established in Europe,
- having regard to the agreements concluded between EFTA and the EC and the statement by the Council of 20 July 1982 to mark the tenth anniversary of the signature of the Free Trade Agreements concluded by the EC with the EFTA countries,
- having regard to the discussions held by its delegation with an EFTA parliamentary delegation in Strasbourg on 9 and 10 February 1983, 1 and 2 December 1983 and in particular the ministerial meeting to be held on 9 April 1984,
- having regard to the report by the Committee on External Economic Relations (Doc. 1-1496/83),

- A. endorsing the importance attached by the Council in the above-mentioned statement to the development of cooperation between the EEC and EFTA,
- B. noting that current relations between the EFTA countries and EC Member States are generally speaking very good and that the EFTA countries are the principal trading partners of the EC, making a significant contribution to balance of payments equilibrium,
- C. having regard to the common economic, political, social, energy and environment problems currently faced by the countries of Western Europe,
- D. having regard to the creation on 1 July 1977 of a European free trade area including 17 countries (10 Community Member States and 7 EFTA countries),
- E. having regard to the large degree of cooperation already taking place between the Community Member States and the above-mentioned countries, particularly with regard to free trade agreements, cooperation on the EMS and Euratom research,
  - 1. Notes with satisfaction the favourable results of the free trade agreements and hopes that the final obstacles to trading relations, in particular non-tariff barriers, will be eliminated as soon as possible;
  - 2. Welcomes the closely knit cooperation and trading relations between the Community Member States, Sweden, Norway, Iceland, Finland, Switzerland, Austria and Portugal;
  - 3. Requests the Council to contact the EFTA Council of Ministers with a view to organizing joint meetings of ministers or officials, in particular for the purpose of eliminating technical barriers to trade;
  - 4. Considers that it is essential to harmonize technical standards within EFTA and the EEC in order to promote trade, and calls on all the relevant bodies to begin preparatory work with this end in view;
  - 5. Hopes that the problem of rules of origin may be settled as swiftly as possible, in the interest of both sides;

6. Requests the Council and the Foreign Ministers meeting in political cooperation to establish regular contact with the governments of the EFTA countries on issues of joint interest to all Western European countries in conjunction with negotiations on specific topics conducted within international organizations or on the occasion of direct intergovernmental meetings;
7. Earnestly desires closer contacts between the countries concerned at all levels, for example through collaboration between ECOSOC, the EFTA Consultative Committee and the EEC;
8. Hopes that the countries of Western Europe as a whole will be able to take a united stand at major international conferences, and attaches the greatest importance to proceedings conducted within GATT or parallel to it;
9. Notes the devaluation of the Swedish krona of 8 October 1982 and hopes distortions will not arise in economic and trade relations between EFTA and the EEC;
10. Requests the Commission of the European Communities to report as soon as possible on the effect of the devaluation of the Swedish krona on international trade as a whole once the necessary statistical data are available;
11. Holds to the principle that any attempt to reduce imports from EFTA countries on the pretext of defending the internal market would be detrimental;
12. Hopes, with regard to monetary policy that some form of solidarity and support can be established between the Western European currencies and the EMS, which might address the problem of the European partners;
13. Declares that it is prepared to increase contact at parliamentary level with all EFTA countries by whatever means seem most appropriate;

14. Instructs its President to forward this resolution to the Council and Commission of the European Communities, the Conference of Foreign Ministers meeting in political cooperation, the major international interest groups of Western Europe and the Governments of the Member States and those of Finland, Sweden, Norway, Iceland, Portugal, Austria and Switzerland and to the parliaments of the Faroe Isles and the Åland islands.

EXPLANATORY STATEMENTI. ASSESSMENT OF ECONOMIC AND TRADE RELATIONS BETWEEN THE EEC and EFTAIntroduction

1. On 22 March 1957 the Treaty of Rome, establishing the European Economic Community, was signed. It entered into force on 1 January 1958. One year later, in February 1959, representatives of the Austrian, British, Danish, Norwegian, Portuguese, Swedish and Swiss Governments met in Oslo to lay the foundations of a free trade zone for industrial products. The Stockholm Convention, establishing the European Free Trade Association (EFTA) was signed on 2 January 1960 and entered into force on 3 May of the same year. Finland acceded to it in 1961. Iceland in 1970.

2. The Convention provided for the abolition of customs duties and quantitative restrictions on trade - an objective which was reached in 1966 - following a blueprint fairly similar to that of the EEC, but dealing only with industrial products, subject to certain particular conditions. The Convention did not imply the creation of a common customs tariff vis-a-vis the rest of the world, nor the harmonization of legislation; it was a free trade area and not a customs union or common market. Rules in the Convention dealing with competition and the right of establishment were directed more at avoiding trade discrimination than at market unification.

3. With time EFTA members have considerably developed their cooperation, particularly by eliminating technical obstacles to trade, where they have collaborated with the Community, and by providing technical and economic aid to Portugal. Economic consultations have increased, covering such matters as international economic relations and regional policy. Cooperation between EFTA and Yugoslavia has been encouraged through the establishment of a Joint EFTA-Yugoslavia Committee. In May 1980 a free trade agreement was conducted between Spain and EFTA.

## The development of relations with the European Community

4. The opening of negotiations for the first enlargement of the Community in 1969 soon led to discussions on relations between EFTA countries and the European Community. Agreements were signed with EFTA countries in July 1972 except for the agreement with Finland, which was merely initialled in July and signed on 5 October 1973, and the agreement with Norway which was negotiated later and signed on 14 May 1973. The agreements provided for the establishment of a free trade zone for industrial products between the EEC and each of the EFTA countries, with minor concessions for certain agricultural products.

### Consequences of the Swedish devaluation

5. Following the devaluations, statistics for the first five months of 1983 show that Sweden's exports rose by 8%, while exports from the EEC to Sweden increased by 5% in the same period.

No firm conclusions can be drawn from these figures as a whole. Broken down country-by-country, they show an increase of more than 34% in imports from Sweden into the Belgo-Luxembourg Union and an increase of more than 15% in Swedish exports to the United Kingdom; the level of exports to other Community countries is much lower.

Sweden's exports to Denmark increased by 'only' just above 9%, a very modest rise compared to exports to the United Kingdom, and one which does not appear to have had disastrous consequences.

### EEC-EFTA cooperation in the monetary field

6. This is a very sensitive area which is a subject of great interest and considerable concern for all the parties involved.

Wider cooperation in this field will require lengthy and very complex preparation, and there is unlikely to be significant progress except in the very long term.

## Trade between the European Community and EFTA

### The importance of EFTA in Community trade

7. Table 1 shows, for the period 1974 to 1981, the importance represented by EFTA in total Community trade with third countries. It can be seen that up to the late seventies the proportion of EUR 9 imports coming from the EFTA countries showed a considerable increase, from 15.6% in 1974 to 18.4% in 1978, but that in recent years this figure has fallen back somewhat (17.4% in 1981).

In both relative and absolute terms EFTA has been a more important export market than it is an import provider. The group has consistently represented up to one quarter of all export sales from the Community with a peak of 25.4% being reached in 1980. This high level of export sales has meant that the Community has maintained a positive trade balance with EFTA over the entire period.

### The importance of the Community in EFTA trade

8. In table 2, the normal concept of looking at the Community as a single trading entity (i.e. by excluding all intra-Community trade) has been extended to the EFTA group. This has been done so as to be able to assess the importance of the Community as a trading partner for EFTA on the same basis as in the previous section. The title 'Extra EFTA' therefore refers to all trade carried out by the EFTA countries excluding trade with other EFTA partners. It should be noted that the source and units of measurement of this table are not the same as for table 1 and no direct comparisons are possible between the two tables due to differences in methodology.

It can be clearly seen from Table 3 that the Community is an extremely important trading partner for EFTA, in terms of both imports and exports. In 1978 the Community (EUR 10) supplied a peak of 65% of total EFTA imports coming from third countries, a market share which fell back to 59.4% in 1981. As an export market the Community accounted for almost 60% of all external sales of the EFTA group in 1981, having reached a level of 62.6% in the previous year.

## Structure of EC-EFTA trade

9. Table 3 provides a breakdown of trade between EUR 9 and the EFTA group by major product categories. Here it can be seen that the trade between the two groups is consistently dominated by manufactured products (chemicals, machinery and transport equipment and other manufactured goods), with food and raw materials accounting for only a small proportion of both imports and exports.

In terms of trade balances, in 1981 the Community maintained a surplus in all of the categories considered except fuel products, where EFTA has a small advantage. Also noteworthy is the fact that 1981 saw an exceptional level of 'unspecified' imports by the Community from EFTA. Past experience suggests that such occurrences are often explained by movements of gold which do not appear elsewhere in the trade statistics.

One of the reasons for the low level of non-manufactured trade is certainly the fact that the agreements between the Community and EFTA do not, in general, include agricultural products.

### Agricultural trade with EFTA

Agricultural trade is a relatively unimportant part of the commerce between the two groups.

### EC imports of agricultural products

10. In 1980, over one half of all Community imports of agricultural products from EFTA was accounted for by wood and cork, and this was also the most important product group for all Member States except Denmark, for which hides and skins were slightly more significant, and Belgium and Luxembourg where food products were predominant. This latter product group also accounted for a large proportion of the remaining imports of the other Member States

In 1981, the pattern of imports was broadly similar to that of the previous year with Greece, in its first year of Community membership, proving no exception.

EC exports of agricultural products

11. In 1980, exports were at a lower level than imports, giving EFTA a positive trade balance in agricultural products. Community exports were heavily concentrated on food products with the balance of sales for each Member State distributed amongst the other headings in varying ways.

Table 1

EUR 9 - EFTA Trade, 1974-1981

in ECU

Partner	EC IMPORTS					EC EXPORTS				
	1974	1976	1978	1980	1981	1974	1976	1978	1980	1981
Extra EUR 9	130 802	159 590	178 386	271 552	307 804	114 224	141 300	173 893	224 446	269 503
EFTA	20 460	24 880	32 838	48 882	53 481	27 948	33 486	39 198	57 023	59 748
Share of EFTA (%)	15.6	15.6	18.4	18.0	17.4	24.5	23.7	22.5	25.4	22.2

Source: Eurostat: Monthly External Trade Bulletin, Special Number

Table 2

EFTA - EUR 10 Trade, 1974-1981

\$US mn

Partner	EFTA IMPORTS					EFTA EXPORTS				
	1974	1976	1978	1980	1981	1974	1976	1978	1980	1981
Extra EFTA	50 356	58 258	73 725	119 366	105 338	39 878	47 849	67 204	98 242	92 083
EUR 10	32 016	36 482	47 915	73 572	62 537	22 958	27 521	39 125	61 513	54 644
Share of EUR 10 (%)	63.6	62.6	65.0	61.6	59.4	57.6	57.5	58.2	62.6	59.3

Source: United Nations Contrade Data Bank

Table 3

Structure of Trade between EUR 9 and EFTA

mn ECU

Product Group	EUR 9 IMPORTS			EUR 9 EXPORTS		
	1977	1979	1981	1977	1979	1981
Food and beverages	1 098	1 342	1 579	1 958	2 308	2 969
Raw materials	4 086	5 011	5 641	1 210	1 530	1 808
Fuel Products	1 181	3 972	6 258	2 410	3 982	5 466
Chemicals	2 265	3 311	4 009	4 221	5 391	5 744
Machinery and transport equipment	6 863	8 380	9 905	13 984	14 902	18 496
Other manufactured goods	11 270	17 476	17 811	13 769	18 256	21 329
Unspecified	1 183	1 532	8 278	701	1 150	3 936
<b>Total</b>	<b>27 946</b>	<b>41 024</b>	<b>53 481</b>	<b>38 253</b>	<b>47 519</b>	<b>59 748</b>

Source: Eurostat - Monthly External Trade Bulletin Supplements

## II. BARRIERS TO TRADE BETWEEN THE EC AND EFTA COUNTRIES

11. Although EFTA and EC Member States together provide in theory a single trading area, some considerable obstacles to trade remain. Of course many of these obstacles apply as much to trade within each grouping as between them; such problems as have arisen are of relatively minor importance for economic and political relations between the EC and EFTA in general.

### Agriculture

12. The major area of trade in which protectionist barriers are maintained is in agricultural products. Although trade within the European Community is largely free of such barriers, most EFTA countries maintain individual policies directed towards raising domestic production to a maximum and excluding imports of competing produce. The Free Trade Agreements signed by the EC with EFTA countries do not cover agricultural products except for certain processed products included in Protocols to the Agreements, for which in general, the fixed tariffs have been gradually removed while the variable levies are maintained both for EC exports and imports of the products in question.

13. Bilateral agreements on individual agricultural products have been subsequently concluded with some EFTA countries (e.g. cheese in the case of Finland), but such concessions as have been made remain on a very limited scale and on an ad hoc basis rather than as the result of negotiations between the two organizations. In general, trade in agricultural products remains at a low level and policies for trade on both sides remain highly protectionist.

### Tariff barriers on industrial products

14. Industrial products exported to the EC from EFTA countries are admitted duty-free with one exception. Some residual tariff quotas remain on paper and paper products and when exports of these products from a particular EFTA country exceed a fixed ceiling the EC is entitled until 1 January 1984 to reimpose customs duties. In 1982 such duties were imposed on 5 products imported from Sweden and one from Austria. None are currently in force because the tariff quotas are calculated on an annual basis and have not yet been filled for 1983. The principal duties were abolished from 1 January 1984.

A few similar tariff arrangements are maintained by EFTA countries for the Community's exports but all of these expire at the end of this year.

## Non-tariff barriers

15. All EFTA and EC Members are signatories of GATT and apply the articles of GATT concerning quantitative restraints, customs valuation, dumping and subsidies. The Codes negotiated during the Tokyo Round further limit the scope for erecting or maintaining barriers to trade, and especially those resulting from standards, government subsidies and procurement policies. These Codes have now entered into force and regular meetings are held in Geneva to ensure their proper implementation by signatories.

16. GATT provides the main international forum for studying the impact of government regulations on trade, but the European Commission and the EFTA secretariat have held talks on such issues at 'regional' level. The recent requirement imposed by the French Government that customs documents be in French has been the subject of an official complaint from EFTA. In addition the Commission has held talks with individual EFTA members concerning government subsidies, in particular with Sweden, with some degree of success.

Both the Treaty of Rome (Article 92) and the Stockholm Convention (Article 13) refer to government aids, but the EC rules are much tighter both with regard to the incompatibility of state subsidies with the common market and to the system of identifying and sanctioning such subsidies. EFTA members are only invited, not obliged, to report to other member states the aids provided by them.

17. It is obvious that recourse to government aid for the protection of domestic industries from the competitive pressure of imports is likely to increase in a time of recession when tariff barriers have effectively been eliminated. This subject may well prove to be a matter of increasing concern in EFTA-EC relations, although it has not yet seriously affected commercial relations between the two groupings, except perhaps indirectly in the steel sector, which has been a notoriously voracious recipient of government aid in many countries.

Current voluntary restraint agreements, which limit exports of steel products between the EC and several EFTA partners to 'traditional levels', have been renewed on terms which provide for considerable cutbacks in trade in 1983, given the very large falls in demand for steel both on EC and EFTA markets.

18. Agreements on trade in industrial products concluded between the EC and EFTA countries have hitherto been limited to the steel sector. In addition to a general commitment to restrict quantities to within certain limits, EFTA countries agreed to comply with the guidance prices established at intervals for the Community's own steel industry but with a permitted margin of penetration of 3% below those prices. For other crisis sectors trade between the EC and EFTA continues without such quantitative restrictions and notably in the textiles sector, where bilateral agreements concluded by the Community and by EFTA countries under Article 4 of the Multi-Fibre Arrangement are limited to 'low-cost' supplying countries and do not restrict trade between industrialized countries.

In the agricultural sector, however, agreements which limit exports of sheepmeat and goatmeat to the EC have been concluded with Iceland and Austria.

#### Technical barriers to trade

19. GATT is again the principal forum for discussion of the trade aspects of technical barriers such as standards. Its committee on this subject meets 4 times annually and is now conducting its third annual review of the Code. The notification procedure is apparently working well and the 35 signatories of the Code are now elaborating proposals for improving its implementation.

At world level, standards themselves are harmonized for the most part by the International Organization for Standardization (ISO) and by the International Electrotechnical Commission (IEC). The difference in competence of these two organizations reflects the different historical development of harmonization in the industries concerned. The progress made in achieving world-wide acceptance of standards is however patchy and slow. In some industries, such as motor cars, considerable advances have been made, but in general agreements are difficult to achieve at this level.

20. The two corresponding European organizations are CEN and CENELEC (European Committees for Standardization and for Electrotechnical Standardization) which are based in Brussels and whose members include all EC and EFTA countries (except Ireland and, in the case of CEN, Luxembourg) and, in addition, Spain. These organizations aim to harmonize national standards and prepare international standards. Both the EFTA Secretariat and the European Commission cooperate closely with these organizations and provide mandates, sometimes jointly, for the elaboration of new European standards.

21. It should be noted however that many problems for trade which arise because of conflicting national standards within Europe are not brought before these organizations for various reasons which may include:

- the prior existence of technical committees in world-wide organizations which are already examining the problem;
- the refusal of the other participating countries to establish a committee because the problem is confined to a small number of states;
- the conclusion of bilateral deals between individual countries to avoid the delays inherent in a multinational procedure.

22. In general the issue of standards is not of great importance in the discussions of the Community with EFTA or its Member States because all the countries are represented in the European organizations concerned. However one such issue has recently appeared which does seem likely to have considerable consequences for trade.

With regard to agricultural products similar problems can arise. Sweden has recently banned the importation of certain fruits and vegetables from the EC because of the presence of insects in some regions which are forbidden under Sweden's phytosanitary regulations.

23. EFTA itself is very active in promoting the mutual recognition of standards by its Member States. In some EFTA 'reciprocal recognition schemes' EC Member States are already participating, including those for 'pressure vessels', 'gas appliances', 'agricultural machines and tractors' (all of which include the UK and Denmark), that for 'ships' equipment' (which includes the Netherlands the FR Germany as well), and, finally, that for 'pharmaceuticals' (which includes Ireland as well as the other EC countries mentioned but not the Netherlands).

24. One aspect of the Community's future policies that is of concern to EFTA countries is a proposal for a Council Directive put forward by the Commission in 1980 (COM 80/400) which may soon be approved by the Council. The proposed

directive will establish a procedure for exchanging information between EC Member States on the preparation of new technical standards, which should assist in preventing the emergence of new barriers to trade. Currently it is thought that about 5000 new standards are being established throughout Western Europe annually. Each of these is a potential non-tariff barrier.

25. On the other hand, problems have arisen in the trade in newsprint with the Scandinavian countries.

Before it acceded to the European Communities, the United Kingdom had concluded an agreement with Canada stipulating - and guaranteeing - the importation of 625,000 tonnes of newsprint of Canadian origin into the United Kingdom. The quantity imported was to increase to 1,500,000 tonnes eventually. British accession to the EC led to a revision of the agreement, which had a very serious effect on the Canadian economy by suddenly depriving it of an important traditional export market.

It is necessary to take steps to redress this situation, in collaboration with Canada and the Scandinavian countries and taking account of the interests of all contracting parties. GATT might provide a suitable forum for negotiations on this subject.

### III. PROBLEM OF GOVERNMENT AIDS IN INTERNATIONAL TRADE AGREEMENTS

26. A control of government aids is necessary for the preservation of a free trade system, since most aid measures have an effect on trading conditions. Efforts to limit the granting of state aids have in fact been one of the major preoccupations of international organizations such as GATT, the Community and EFTA. In trying to establish an appropriate behaviour for governments in this respect, these organizations have laid down certain provisions and rules to be followed by the member countries.

27. The Treaty of Rome establishing the EEC contains, in paragraph 1 of Article 92, a general prohibition on state aids which distort or threaten to distort competition and adversely affect trade between Member States. Paragraph 2 of that Article contains an exception to this general rule with regard to aids of a social character and aids intended to remedy damage caused by natural calamities or other extraordinary events. Paragraph 3 of Article 92 allows for further exemptions from the general rule with regard to regional and sectoral aids and any other categories of aids as may be specified by Decision of the EC Council.

28. According to Article 13 of the Stockholm Convention establishing EFTA, government aids which frustrate the benefits expected from the removal or absence of duties and quantitative restrictions on trade between the EFTA Member States are forbidden. This applies in particular to export subsidies specifically listed in Annex C to the Stockholm Convention, but covers also any other form of government aid. In their interpretation of Article 13 of the Convention, as adopted in July 1968, the EFTA Council recognized, on the one hand, that government aids, provided that they were compatible with Article 13, were legitimate instruments of economic policy and that it was therefore not the purpose of Article 13 to prohibit the freedom of Member States to introduce government aid measures as elements in internal economic policies; on the other hand, the criterion for assessing government aids, namely whether they frustrated the benefits expected from the Association, was one of fact. In order to frustrate, a government aid must injuriously affect the development of trade between the EFTA Member States, either directly or indirectly. When judging whether or not an aid was frustrating, the cumulative effect of different aids should be taken into consideration.

29. The Free Trade Agreements between the European Economic Community and the EFTA countries declared as incompatible with the proper functioning of the Agreements, in so far as it might affect trade between the Community and the EFTA countries, any public aid which distorted or threatened to distort competition by favouring certain undertakings or the production of certain goods. With regard to that provision the Community stated, when signing the Agreements, that it would interpret it according to the criteria applicable to the corresponding provisions within the Community.

30. The General Agreement on Tariffs and Trade (GATT), in conjunction with the Agreement on the Interpretation of Articles VI, XVI and XXIII (the Subsidies Code) worked out in the context of the Multilateral Trade Negotiations, has set up a legal framework according to which government aids, and in particular export subsidies, may be assessed. According to these provisions, any Contracting Party with a complaint concerning the use of government aids may submit the matter for consultation and examination. In cases where the use of export subsidies is implied, examples of which are given in the Annex to the GATT Code, an injury would be presumed to exist.

31. This brief, and therefore imprecise description, indicates that the provisions concerning government aids, although they differ in wording and structure, can be said to be based on the same, or at least very similar, principles. They appear altogether to be sufficiently clear and, at the same time, flexible enough to allow for an effective control of government aids in general. What therefore matters is not to tighten the margin of judgment or to sharpen the legal framework for government aids, but rather to arrive at a proper implementation of the existing rules.

#### IV. MODIFICATION OF GREENLAND'S STATUS

On the basis of a proposal by Mr Richard Burke, the Commissioner specifically responsible for this matter, the Commission has decided on a stance to be adopted by the Community in its future relations with Greenland. The Commission wishes to maintain close links between Greenland and the Community and is endeavouring to take account of the interests of those most concerned by relations between the two.

In 1973, when the Kingdom of Denmark joined the Community, Greenland was an integral part of the former. Six years later, pursuant to the Danish home rule legislation of 1 May 1979 adopted by referendum in Greenland, the Greenlanders obtained a certain degree of independence. In a subsequent referendum, held on 23 February 1982, the majority of Greenlanders (52%) voted against Greenland's membership of the European Community. Consequently, in a memorandum addressed to the Council of Ministers of 19 May 1982, the Danish Government proposed a revision of the EC Treaties providing for Greenland's withdrawal.

According to the Treaties, the Commission is required to draft an opinion on this proposal. While regretting that the proposal concerns the withdrawal of Greenland from the Community, the Commission nevertheless decided in its communication to the Council to deliver a favourable opinion on the change of status of Greenland vis-à-vis the Community. The Commission takes the following view concerning this new relationship:

##### Trade in industrial products

As regards trade in industrial products between the Community and Greenland, the CCT will no longer be applicable to Greenland and arrangements based on a free trade area are therefore necessary. This would grant preferential treatment to all products originating in Greenland, ensuring them free access to the Community market without any quantitative restrictions, customs duties or equivalent levies. Hence they would be subject to rules of origin excluding industrial products from third countries from preferential treatment on import into the Community through Greenland. They would also be subject to Community safeguard measures against distortion of the Community market

resulting from deflection of trade caused by the considerable differences in external tariffs or the trade policy applied to raw materials or semi-manufactured products used in Greenland, and preventing any major disruption of the Community market which could result from the implementation of this system. The arrangement would ensure preferential treatment for Community industrial products, giving them free access to Greenland, while Greenland would be entitled to introduce customs duties and quantitative import restrictions for Community products if they helped its development and industrialization or budgetary earnings; however, these measures would not lead to discrimination against Member States.

#### Trade in agricultural products

Trade in agricultural products (products contained in Annex II of the EEC Treaty). Such trade should be based on the principle of more favourable treatment than that granted by the Community and Greenland to third countries (implementing provisions would specify the way in which this principle should be applied).

#### Free movement

With regard to the free movement of persons (movement of workers and right of establishment), services and capital, the new system would require equal treatment on the territory of Greenland for all Community Member State nationals and for all legal persons subject to national legislation of one of the Member States; it would also provide for the possibility of introducing subsequent implementing provisions for greater freedom of movement of persons, services and capital between Greenland and the Community. These provisions would doubtless help to facilitate cooperation in the field of industrial and agricultural research and development and other forms of cooperation between the Community and Greenland in certain areas accepted by both sides.

#### Fisheries

Fishery products: the new system will provide for obligatory measures to be taken by Greenland and the Community to ensure the optimal development of the activities of Greenland's fishing fleet together with its dependent processing and marketing sectors and the protection of the Community's fishing interests in Greenland waters.

For this purpose, the system would secure full liberalization for fishery products, including processed products, imported by the Community from Greenland and originating there. Free access and free movement of these products would be subject to the provisions governing the common organization of the market in particular the safeguard clauses.

This system would also provide for the allocation of quotas to the Community in Greenland waters, which, while taking account of Greenland's needs referred to above, would be designed to maintain the traditional fishing activities of the Member States' fleets. These quotas and the conditions of fishing would have to be agreed between the Community and the competent authorities for Greenland before the entry into force of the protocol to be adopted.

Concerning the specific question of salmon, the current guarantees applying to this branch of fishing in Greenland will expire at the end of 1983 and are to be replaced by appropriate conservation measures for salmon migrating between Greenland and Community waters.

TENTH ANNIVERSARY OF THE FREE-TRADE AGREEMENTSExtract from the declaration of the EFTA Councils at ministerial level

On the occasion of the tenth anniversary of the conclusion of the Free Trade Agreements (FTAs) with the European Communities, the EFTA governments emphasize their great and continuing importance. These Agreements have constituted a challenge to the economies involved, have proved to be viable instruments even in a period of economic difficulties and increasing protectionist tendencies and have provided an example of a well functioning free trade area. Their smooth operation has contributed to a harmonious relationship between the EFTA countries and the Community and to the creation of a free market of more than 300 million people. They have thus enabled a substantial expansion of trade and production on the basis of a stable trading system in Western Europe to take place. The European free trade system, comprising 17 countries and 42% of total world trade, provides a logical and close link of a special quality between the two groupings, which are each other's most important trading partner. Supporting all initiatives taken to reinforce and extend the European free trade system, the EFTA governments regard with sympathy and understanding the enlargement of the Community which, inter alia due to the FTAs, will represent a positive step for the further consolidation of economic and trading relations in Western Europe.

The EFTA governments are fully convinced that substantial advantages including greater economic stability and improved living standards have accrued to the countries participating in the European free-trade system. At the same time their other trading partners have also benefitted from the dynamic effects resulting from that free trade. The EFTA Governments therefore consider that the maintenance and improvement of that system and the safeguarding of open markets free from any kind of discrimination are crucial to the endeavours to overcome the present international economic difficulties. In this context, the EFTA countries reaffirm their commitment to the liberal trading system as laid down in GATT, and their preparedness to act in international organizations, with a view to fighting protectionist tendencies wherever they appear.

The last ten years have brought about an ever increasing interdependence and a community of interest between the national economies of the 17 States participating in the European free trade system. EFTA Governments are convinced that this will facilitate meeting future challenges - also in a global context.

Extract from the statement by the Council of 20 July 1982 to mark the tenth anniversary of the Free Trade Agreements concluded by the EEC with the EFTA countries

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On the occasion of the tenth anniversary of the signing of the Free Trade Agreements between the Community and the EFTA states, the Council would stress the very special importance the Community attaches to its relations with each of the EFTA member countries, which are among its principal trading partners.

The Treaties establishing the Communities and the Convention of Stockholm establishing EFTA, together with the agreements concluded between the Community and the EFTA countries, have it possible to create a stable and reliable monetary and trading area, the existence of which is a precious asset particularly at this time of profound changes in the world economy. It is in this area that the countries of the Community and EFTA conduct almost two-thirds of their trade....

In this regard, the Council is gratified, first and foremost, at the excellent way the Free Trade Agreements linking the Community to the EFTA countries have functioned over the last ten years.

Referring moreover to the statement made by the Heads of State and Governments of the EFTA countries in May 1977 and the guidelines the Council itself approved in June 1978, the Council once more expresses the Community's interest in improving the functioning of these agreements and extending their scope in all areas where this is shown to be useful. It also confirms the particular importance it attaches to developing with the EFTA countries cooperation additional to the Free Trade Agreements, and the readiness of the Community to undertake such cooperation in the mutual interest of the parties concerned. The fact that the Community and the EFTA countries are economically and commercially dependent on one another makes closer cooperation in numerous fields all the more desirable, and a great deal of progress has been made here over the last few years....

List of areas

in which the Commission considers that stronger measures are both desirable and feasible.

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1. Improving the functioning of the joint Committees on the Free Trade Agreements
2. Rules of origin\*
3. Measures taken at frontiers
4. Trade in agricultural products\*
5. Processed agricultural products\*
6. Fisheries
7. Technical barriers to trade\*
8. Restrictions on exports
9. Community trade mark\*
10. Community patent\*
11. Public contracts\*
12. State aids\*
13. Competition rules applicable to undertakings
14. Industrial policy
15. Research and Development Cooperation
16. Trans-frontier exchange of information
17. Environment\*
18. Consumer protection
19. Health and safety conditions at the work place
20. Transport\*
21. Economic and monetary policy\*
22. International economic relations
23. Development cooperation
24. Cooperation in international organizations of an economic nature
25. Information

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(\*) The subjects asterisked have already appeared on the Council's list of 14 December 1978

MOTION FOR A RESOLUTION

DOCUMENT 1-924/82

tabled by Miss HOOPER

pursuant to Rule 47 of the Rules of Procedure

on the external trade effects of the Swedish  
devaluation of October 1982

...

The European Parliament,

- A. having regard to the EEC-EFTA free-trade agreement,
- B. having regard to the decision of the newly elected Swedish Government to devalue the Krona by sixteen percent on 8 October 1982,
- C. having regard to the legal action launched by the European Commission a year ago against an alleged price-fixing cartel operated by Nordic paper and pulp producers,
- D. having regard to the exercise by the Commission for the first time of its powers of delegated legislation under Council Regulation (EEC) No. 3738/81 of December 1981,

1. Supports the Commission's decision of 8 November 1982 to reinstate external tariffs on five grades of paper currently exported by Sweden in volumes exceeding ceilings established under the EEC-EFTA free-trade agreement;
2. Calls upon the Commission:
  - a) to explain to the European Parliament the reasons lying behind its decision to reinstate these duties, and to publish its broad assessment of the likely economic impact of these measures in their limited period of applicability from 13 November to 31 December 1982,
  - b) to indicate whether it proposes to reintroduce these measures in 1983, and whether it is considering alternative courses of action in the period until next year's pre-established ceilings in the paper sector are exceeded,
  - c) to outline in detail its overall analysis of the recent Swedish and Finnish devaluations (of respectively sixteen and ten percent), explain the difference in treatment which it has accorded to the two, and indicate what proportion of each it considers "predatory", in the sense of being deliberately designed to enhance export performance rather than reflect underlying currency values on international markets,
  - d) to clarify its more general attitude to the restitution of import duties against EFTA (or other non-EEC) countries engaging in "predatory" devaluations of their currencies,
  - e) to clarify its longer-term attitude to the use of tariff barriers as a mechanism to counteract the deleterious effects of deliberate downward adjustments in the value of non-EEC countries' currencies,
  - f) to assess the potential effects of restituting import duties automatically on EFTA (or other non-EEC) countries whose exports exceed pre-determined ceilings (as they do currently for example in paper from Austria and Finland, as well as Sweden);
3. Invites the Commission to investigate with the Parliament appropriate means by which the latter might scrutinise and comment upon actions such as this taken by the Commission under its own legal authority.

MOTION FOR A RESOLUTION

DOCUMENT 1-709/83

tabled by Tove NIELSEN

pursuant to Rule 47 of the Rules of Procedure  
on relations with the Nordic countries

The European Parliament,

- A. having regard to Doc. 184/77 and its resolution of 5.7.1977<sup>1</sup>,
- B. having regard to the Council's declaration of 20 July 1982 on the occasion of the tenth anniversary of the signing of the free trade agreements between the EC and EFTA,
- C. having regard to its resolution of 11 February 1983 on the free trade agreements between the EC and EFTA,
- D. delighted at the increasingly frequent and close contacts between Members of Parliament from the Nordic countries and the European Parliament,
- E. noting with satisfaction the significance which both the Council and the Commission attach to developing cooperation with the Nordic countries over and above the free trade accords,
  1. Calls on the Commission as a matter of urgency to endeavour to secure the removal of the remaining obstacles to trade, particularly those of a non-tariff character, which have unfortunately appeared with greater frequency in the last couple of years;
  2. Calls on the Council to take a favourable view of the Nordic countries' desire for increased cooperation in spheres such as industrial policy, research, policy towards the developing countries and economic and monetary policy;
  3. Expresses its full support for the work being done by the delegation for relations with the Nordic countries;
  4. Requests the relevant committee of Parliament to draw up a report on the results of ten years of cooperation with the Nordic countries of Sweden, Norway, Iceland and Finland and on the prospects for the future and plans for the next ten years;
  5. Instructs its President to forward this resolution to the Council and the Commission, the Foreign Ministers meeting in political cooperation and the Parliaments of the Nordic countries.

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<sup>1</sup>OJ No. C 183, 1.8.1977, p. 30