



N° 61/82

THE EUROPEAN COMMUNITY AND THE EFTA COUNTRIES

I.	RELATIONS BETWEEN THE EUROPEAN COMMUNITY AND EFTA-GENERAL BACKGROUND	1
II.	CONTENT OF THE FREE TRADE AGREEMENTS	2
III.	APPLICATION OF THE FREE TRADE AGREEMENTS	4
IV.	BILATERAL RELATIONS WITH THE EFTA COUNTRIES	
	1. Austria	7
	2. Switzerland	9
	3. Norway	12
	4. Sweden	13
	5. Finland	15
	6. Iceland	18

Annexes:

1.	Statement made by the Council of the European Community on 19 July 1982	19
2.	Statistics	20

X/368/82-EN

October 1982

Free reproduction authorized, with or without indication of source. Voucher copies would be appreciated.

I. RELATIONS BETWEEN THE EUROPEAN COMMUNITY AND EFTA
GENERAL BACKGROUND

The Free Trade Agreements with the EFTA states Austria, Finland, Iceland, Norway, Portugal, Sweden and Switzerland were signed in Brussels ten years ago.

The European Community attaches particular importance to these Agreements and its relations with the EFTA states, which account for a quarter of its exports and a fifth of its imports. The resulting Western European free trade area represents an oasis of trade stability and security amid the continuing world recession and the current uneasy political climate.

When in 1969 it was decided to open negotiations for the accession to the Community of the United Kingdom, Denmark and Ireland, it was also agreed to negotiate with the remaining Member States of EFTA, in order to determine their future relations with the enlarged Community. In particular it was necessary to prevent these countries from being cut off from their markets in the United Kingdom and Denmark after the accession of those countries to the European Community.

The Free Trade Agreements 1972/73 - for each country, one with the European Economic Community (EEC) and one with the European Coal and Steel Community (ECSC) - created a free trade area now (i.e., including Greece) encompassing 17 countries and 310 million inhabitants, in which trade in industrial products is subject to customs duties or quantitative restrictions only in exceptional cases. The division of Western Europe into two trade blocks was thus ended.

Since the Free Trade Agreements came into being, cooperation with the EFTA countries has been extended - either through formal agreements or a two-way exchange of information and views - to areas such as science and technology, transport, protection of the environment and economic and monetary matters which were not dealt with in the original agreements. As regards the future, the European Community is resolved to strengthen further its relations with the EFTA countries, to dismantle any trade barriers which still exist and to counteract any protectionist tendencies.

The Community stated in the Free Trade Agreements that it was prepared to contribute to the harmonious development of trade in those agricultural products not covered by the Agreements. A large number of agreements and arrangements in the field of agriculture and fisheries have since been concluded and are continually being adapted to market requirements. While the EFTA countries account for more than 26% of the Community's industrial exports, they take only 16% of its agricultural exports, a share which has been declining for a number of years.

Moreover, the Commission of the European Community feels that relations with the countries of the free trade area should not be confined to questions of bilateral trade. It would like to see the scope of those relations extended, in a spirit of Western European solidarity, to foreign trade policy as a whole, and hence also to trade with other industrialized nations, and to development policy.

II. CONTENT OF THE FREE TRADE AGREEMENTS

The Agreements between the European Community and the EFTA countries are aimed at promoting, through the expansion of reciprocal trade, the harmonious development of living conditions and the conditions of employment, the growth of productivity and financial stability. They are also intended to provide fair conditions of competition between the parties and to contribute to the liberalization and expansion of world trade. In the case of Switzerland, Norway, Sweden and Iceland, the preamble also mentions the desire of the parties to contribute "to the work of constructing Europe". The Agreement with Finland insists, in its preamble, on the maintenance of the autonomous power of decision of both parties.

The Agreements provide 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. The duty exemptions already established in EFTA with the United Kingdom and Denmark are maintained, with some exceptions; customs duties and charges having equivalent effect on trade with the six original Member States of the European Community and with Ireland have been progressively eliminated according to a timetable which provided for five successive reductions each of 20% between 1 April 1973 and 1 July 1977.

This arrangement was fully adhered to in the case of Switzerland and Sweden. An interim agreement signed with Austria on 22 July 1972 allowed customs duties between that country and the Community to be lowered by 30% as early as 1 October 1972. But the first step was not taken until 1 July 1973 in the case of Norway and 1 January 1974 in the case of Finland, which, however, followed the standard timetable for the remaining matters. Finally, because of the economic situation in Iceland, a special timetable extending to 1 January 1980 was laid down for imports of Community industrial products to Iceland, which, however, benefits fully from the provisions of the arrangement for its own industrial exports.

Since certain industries might experience some difficulty in adapting themselves to the new market conditions, the Agreements provided for various partners annual indicative ceilings and a slower dismantling of tariffs for some sensitive products. For the Community, these products were in the metals sector (steel in particular) and paper. Full liberalization of trade in metals came into effect on 1 January 1980 and will be achieved for paper on 1 January 1984.

Special protocols authorize Finland to maintain quantitative restrictions for certain fuels and fertilizers and to keep certain restrictions for credit connected with trading. A Protocol to the Swiss Agreement authorizes Switzerland to introduce a system of compulsory reserves for products considered indispensable in time of war but not produced domestically in sufficient quantities.

Rules of competition

The Agreements provide neither for a customs union nor for the obligation to harmonize legislations. The contracting parties undertake, however, to avoid any unfair competition which might hamper their trade. Under the parallel Agreements concluded between the European Coal and Steel Community (ECSC) on the one hand and Austria, Norway, Sweden, Finland and Iceland on the other - Switzerland being the only exception - these countries have stated that, subject to certain reservations because of the particular situations in Norway and Iceland, they are prepared to apply Community rules on prices and transport costs.

Safeguard measures

In the event of serious difficulties arising from unfair competition, dumping or excessive differences between fiscal duties on raw materials, and also in the event of serious disturbances affecting a region, a sector of the economy or the balance of payments, the parties may, subject to certain conditions, apply safeguard measures, which, however, generally call for prior consultations and a joint study of the situation.

Rules of origin

Common rules of origin were established for the Community and the EFTA countries. As the EFTA countries, unlike the Community, do not apply a common customs tariff vis-à-vis the rest of the world, it is important to be able to identify the origin of the goods crossing the frontiers of the partner countries, in order to be able to determine whether or not they should be covered by the provisions of the Free Trade Agreement. These rules are regularly adapted to meet new industrial or administrative requirements.

Concessions in the agricultural sector

Since the dismantling of tariffs also covers the industrial element of processed agricultural products, particular systems have been established to compensate for differences that might exist between one country and another in prices of raw materials. Free trade does not extend to other agricultural products, but the parties have declared "their readiness to further, so far as their agricultural policies allow, the harmonious development of trade". In addition, shortly before signing the Agreements, Austria, Switzerland, Norway and Sweden on the one hand, and the Community on the other, granted each other a number of autonomous concessions in this sector which, at the time, accounted for only just under 8% of the total trade between these countries and the Community.

Iceland, however, is a special case, since almost half of its exports to the Community consist of agricultural products, to wit, fishery products. This country therefore obtained special concessions in this sector, under the Free Trade Agreement and by virtue of a special Protocol.

Future developments clause

In the Agreements with Austria, Switzerland, Iceland, Norway and Sweden, these clauses allow each partner to present reasoned requests aimed at developing the relations established by the Agreement by extending them to fields not initially covered, in the interests of the economies of the parties concerned (or, as stated in the Agreement with Sweden, "in the common interest").

Joint Committees

In so far as institutions are concerned, each of the Agreements established a Joint Committee between the two contracting parties. This Committee meets at least once a year, and its task is to administer the Agreements and see that they are properly implemented, particularly as regards customs questions, rules of origin and the application of safeguard clauses. The Committee examines any request that may be made to extend the scope of the Agreements and, where necessary, makes recommendations, particularly with a view to entering into negotiations. The Agreement with Sweden states that these recommendations may aim at the attainment of concerted harmonization, provided that autonomy of decision of the two Contracting Parties is not impaired.

III. APPLICATION OF THE FREE TRADE AGREEMENTS

The Agreements between the European Economic Community on the one hand and Austria, Switzerland and Sweden on the other entered into force on 1 January 1973, although an interim agreement with Austria had already existed since 1 October 1972. The Agreement with Iceland entered into force on 1 April 1973, that with Norway on 1 July 1973 and that with Finland on 1 January 1974.

The Agreements between the European Coal and Steel Community on the one hand and Austria, Switzerland, Sweden and Iceland on the other came into effect on 1 January 1974, although the first tariff cuts had been made on 1 April 1973. The Agreements with Finland and Norway entered into force on 1 January 1975.

Dismantling of tariffs

In the field of customs duties, the liberalization of trade proceeded according to schedule. The countries whose Agreements with the EEC and in respect of which the first stage entered into force later were, however, able to catch up the other countries by 1 January 1974, the date set for the second stage.

Protocol No 6 to the EEC-Iceland Agreement which provides for tariff cuts for certain Icelandic fishery products, was not able to be implemented until 1 July 1976, since Iceland had extended its fishing zones to 50 miles in 1972 and 200 miles in 1975, and it was only when the difficulties created by this action in relations between Iceland and certain Member States of the Community had been settled that the Community agreed to apply tariff cuts to Icelandic fishery products.

In the case of sensitive products, duties on which were to be dismantled according to a special timetable, the partners have repeatedly made use of a provision of the Protocols allowing the previous year's ceilings to be extended in the event of economic difficulties. The Community applied this clause in 1978, in particular, for paper imports from Austria, Norway and Sweden.

Rules of origin

The Commission of the European Communities submitted two proposals to the Council for the simplification and rationalization of the rules of origin. The Council decided in July 1982 to suggest to the EFTA partners the introduction of alternative percentage rules for mechanical, electrical and electronic products falling within Chapters 84 to 92 of the Common Customs Tariff.

However, agreement has not yet been reached on a proposal to improve the cumulation system, which is intended to facilitate the utilization of primary materials from the overall EEC-EFTA area.

Safeguard clauses

The application of the safeguard clauses by some EFTA countries in respect of a few products has not caused any particular problems between the Contracting Parties.

Arrangements on steel

In the steel sector on the crisis measures (the "Davignon Plan") the Community had been forced to take and which included among other things the fixing of minimum prices, it was found necessary to obtain the cooperation of third countries to prevent cheaper imports from circumventing the Community provisions..

Thus arrangements were made, in February 1978, between the Community and the EFTA countries, except for Iceland, which is not a steel producer. They guaranteed that Community prices on the EEC market would be respected by EFTA exporters and thus enabled the traditional patterns of trade to be maintained, in the interest of all the partners. All parties agreed to apply these arrangements in 1979 too. Except in the case of Switzerland. They were also extended for 1980, 1981 and until the end of 1982.

Activities of the Joint Committees

The Joint Committees, consisting of representatives of the Community on the one hand and Austria, Switzerland, Norway, Sweden, Finland and Iceland on the other, have met regularly twice a year since the Agreements entered into force. So far they have worked very satisfactorily.

Community representatives and their EFTA partners have regularly reviewed the general economic situation, the operation of the Agreements and the difficulties arising on either side.

The Customs Committees, the only committees set up so far pursuant to the Agreements to help the Joint Committees to accomplish their tasks, have met regularly and presented reports at all Joint Committee meetings. In particular, they have contributed to numerous simplifications of the rules of origin and facilitated administrative cooperation in the application of customs formalities.

Since 1981, the summer meetings of the Joint Committees with Norway and Sweden have been replaced by ministerial-level talks between the Commission and each of the countries concerned. At these meetings, general cooperation and world trade problems are discussed in addition to purely bilateral trade matters.

Adjustments to the Agreements consequent upon the accession of Greece

Additional Protocols to the Free Trade Agreements were negotiated in order to adjust the Agreements to the circumstances created by the accession of Greece. These Protocols, which provide for certain transitional tariff and non-tariff measures affecting trade between the EFTA countries and Greece, entered into force on 1 January 1981, to coincide with Greece's accession to the European Community.

IV. BILATERAL RELATIONS WITH THE EFTA COUNTRIES

1. AUSTRIA

Trade has expanded considerably since the Agreements (1) came into effect. Austria's exports to the Community rose from 2 133 million UA in 1973 (2) to 7 567 million UA in 1981 (52.8% of its total exports). Austria's imports from the Community increased over the same period from 3 859 million UA to 11 124 million UA (61.7% of its total imports).

Austria is the Community's fourth largest customer, accounting for 2.1% of its total exports in 1981, and its eleventh largest supplier, providing 2.5% of the Community's total imports.

TRADE BETWEEN THE COMMUNITY AND AUSTRIA (million UA)

	<u>1973</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
EC imports	2133	5077	6085	6937	7567
EC exports	3859	8408	9792	11272	11124
Balance	+1726	+3331	+3707	+4335	+3557

Source: EUROSTAT

In 1981, 41% of the Community's imports from Austria consisted of machines, vehicles and other processed goods, while chemical products accounted for 9%. Iron and steel, textiles and paper products amounted to 35% in all. The Community's exports to Austria consisted of machines, vehicles and other processed goods (43%), chemicals (9%) and textiles, iron and steel and non-ferrous metals (19%). Trade in agricultural products accounted for some 5% of bilateral trade in both directions.

(1) Official Journal L 300, 1972: EEC-Austria Free Trade Agreement
Official Journal L 350, 1973: ECSC-Austria Free Trade Agreement

(2) 1 UA (European Unit of Account) = 16.5 Austrian schillings
2.0 Swiss francs
6.8 Norwegian crowns
6.9 Swedish crowns
5.1 Finnish marks
13.6 Icelandic crowns
0.55 £ sterling
0.95 US dollars

The Community has traditionally had a balance of payments surplus with Austria. Austria's deficit with the Community cannot, however, be attributed to restrictions by the Community. Besides, since 1973 Austria's exports to the Community have risen considerably more (+351.9%) than its imports from the Community (+288.2%). Another factor which must be taken into account is Austria's large surplus on tourism. Approximately 95% of all tourists visiting Austria come from Member States of the Community.

As regards agriculture, it has so far to a large extent been possible to solve specific problems arising for Austria in a manner acceptable to both sides. A number of agreements were concluded in the seventies on beef, wine and cheese. On 19 October 1981 an overall agreement was adopted by the Council between the European Economic Community and Austria regarding trade in various agricultural products, which contains in particular an arrangement - to run for a specific period of time - for stabilizing trade in cheese.

In view of the very difficult situation in the Community's paper industry, there is a special arrangement for paper. For most industrial goods the customs duties between the Community and Austria were removed on 1 July 1977, and for some textile goods, certain steel products will be abolished on 1 January 1980; the last remaining duties on certain paper products will be abolished on 1 January 1984. Until that date the Community and Austria may still reintroduce the full rate of duty for the paper products that are subject to ceilings if those ceilings are reached.

Regular exchanges of information on steel exports have been going on between Austria and the Community for twelve years. Since 1978 there have been annual agreements between Austria and the Community on trade in steel for the duration of the recession in the steel market.

Transport. A certain amount of coordination on transit and transport is justified by Austria's geographical position. The following Agreements have been concluded:

- The Agreement of 26 July 1957 (which entered into force on 1 March 1958 and was supplemented by a Protocol of 10 October 1974) on the introduction of through international railway tariffs for the carriage of coal and steel through the territory of the Republic of Austria;
- The EEC-Austria Agreement of 30 November 1972 on Community transit which entered into force on 1 January 1974;
- The Agreement of 11 May 1975, which entered into force on 1 January 1977, on transit through and storage in Austria of goods traded between the Community on the one hand and Greece and Turkey on the other hand. This Agreement simplifies the customs formalities and facilitates trade between northern and southern Europe.

In 1977 Austria asked the Community for a financial contribution towards construction of the "Innkreis-Pyhrnautobahn" (IKPA), a motorway providing a direct link between north-western Europe and the Balkans, Greece and the Middle East. At the end of 1981 the Council gave the Commission a mandate to negotiate with Austria on transport problems concerning both sides. At the end of the following April an offer of negotiations was explained to an Austrian delegation and the negotiations opened on 28 October 1982.

Exchange of Information

Since 1978 there have been regular exchanges of information on economic and monetary as well as environmental matters. Austria is involved in a number of projects under European cooperation in the field of scientific and technical research (COST). Also, a start has been made on negotiations for Austria's accession to EURONET (European Information Network).

2. SWITZERLAND

Trade has expanded considerably since the Free Trade Agreement between the EEC and the ECSC on the one hand and Switzerland on the other (1) came into effect. Swiss exports to the Community between 1973 and 1981 rose by 391% (from 4 180 million UA to 16 367 million UA), representing approximately 54% of total Swiss exports. Swiss imports from the Community increased over the same period by 280%, from 7 180 million UA to 20 150 million UA.

Free access to the Community and the market situation in the Community are therefore of great importance to Switzerland's economy. At the same time Switzerland represents a very important market for Community exports.

Switzerland is the Community's second biggest customer after the United States and its third most important supplier, after the United States and Saudi Arabia.

At the regular meetings of the EC-Switzerland Joint Committee, which was set up under the Free Trade Agreement, both parties have an opportunity to raise particular problems regarding trade in specific products covered by the Agreements.

In 1981, 28.9% of the Community's imports from Switzerland consisted of processed goods, 20.5% of machinery and vehicles, 13.1% of chemical products and 2.2% of food products, beverages and tobacco.

(1) Official Journal L 300, 1972: EEC-Switzerland Free Trade Agreement
Official Journal L 350, 1973: ECSC-Switzerland Free Trade Agreement

Switzerland has also stated that it is willing to cooperate in numerous fields not covered by the Free Trade Agreement.

As in the case of Austria, because of Switzerland's geographical position and communications there has been some coordination on transport.

The following Agreements have been concluded:

- The Agreement of 28 July 1956 (which entered into force on 1 June 1957 and was supplemented by a Protocol of 10 October 1974) on the introduction of through international railway tariffs for the carriage of coal and steel through Swiss territory;
- The EEC-Switzerland Agreement of 25 November 1972 on Community transit, which entered into force on 1 January 1974. The simplification of customs procedures brought about by this Agreement facilitates trade between northern and southern Europe.

Since autumn 1978 there have also been regular exchanges of views and information on transport-related problems.

The following important Agreements have been concluded in other sectors:

- The Agreement between Switzerland and the EEC initialled in Brussels on 25 June 1982 concerning direct insurance with the exception of life assurance. It guarantees the agencies and branches of non-life assurance companies registered in Switzerland, on a reciprocal basis and subject to safeguarding of the interests of the insured, identical conditions for the commencement and exercise of their activities in the territory of the other party to the Agreement. It will come into force after the ratification or enabling documents have been exchanged.

This Agreement is the first Community agreement regarding right of establishment in the insurance field. It is of considerable economic importance and will contribute to the promotion of uniform insurance law in Europe.

- The Protocol signed on 18 December 1981 concerning the content of the Agreements concluded by the EEC with Switzerland and Sweden on cooperation concerning the network for data transmission (EURONET).

- The Agreement concerning products of the clock and watch industry signed on 30 June 1967, which entered into force on 1 January 1968 and was supplemented by an Agreement signed on 20 July 1972 that has been applicable since 1 January 1973. The Joint Committee set up by the Agreement holds an annual exchange of information on the situation of the clock and watch industry on the partners' and the world markets;
- The Agreement on processing traffic in the textile sector, which was signed on 1 August 1969;
- The Cooperation Agreement between Switzerland and Euratom on research in the field of controlled thermonuclear fusion (JET), which was signed on 14 September 1978 and enables the two partners' research programmes to be combined with the aim of developing, in the long term, a new, readily available independent source of energy.
- In the area of scientific and technical research in public health matters, the Agreement signed on 13 March 1981 on Switzerland's participation in a concerted action project in the field of registration of congenital abnormalities. An Agreement was also signed on 22 March 1982 regarding Switzerland's participation in a concerted action project to establish a tendency towards thrombosis.

In addition, Switzerland is participating in a number of projects under European cooperation in the field of scientific and technical research (COST) involving matters such as data processing, telecommunications, meteorology, metallurgy, energy, transport and environmental protection.

Switzerland has acceded to the European Patent Convention and is participating in the work of the European Patent Office. On 3 December 1976 it signed with the Community and the relevant Member States the Convention on the Protection of the Rhine against Chemical Pollution, which is based on a Council Directive of 4 March 1976.

There is a regular exchange of views on economic and monetary matters and on environmental problems.

3. NORWAY

The EEC-Norway and ECSC-Norway Free Trade Agreements (1) were signed on 14 May 1973 and entered into force on 1 July 1973 and 1 January 1975 respectively. The Agreements provided for the abolition of all quantitative restrictions and the progressive lowering of all tariff barriers on industrial products.

The Community and Norway abolished customs duties on most goods on 1 July 1977 and 1 January 1980. The duties currently still imposed by the Community on certain paper products will be abolished on 1 January 1984, as will those still imposed by Norway on textile and footwear products.

Since the Agreement entered into force, trade has expanded rapidly. Norway's exports to the Community rose from 1 869 million UA to 10 312 million UA in 1981, to account for 70% of its overall exports. Over the same period Norway's imports from the Community increased from 2 251 UA to 6 502 million UA, accounting for 46.4% of its imports.

TRADE BETWEEN THE COMMUNITY AND NORWAY (in million UA)

	<u>1973</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
EC imports	1860	5392	6206	8377	10312
EC exports	2251	3861	4361	5136	6502
Balance	+391	-1531	-1845	-3241	-3810

Source: EUROSTAT

Norway is the Community's ninth biggest customer, taking 1.2% of its total exports in 1981, and its seventh biggest supplier, accounting for 3.4% of its total imports.

In 1981, 43.9% of the Community's imports from Norway consisted of mineral fuels (mainly oil and gas); machinery, chemicals and other processed goods accounted for 23.9% of its imports. The Community's exports to Norway consisted principally of machinery, vehicles and chemicals (60%), and steel products, non-ferrous metals and textiles (10%).

These figures testify to the success of, and need for, the ties created between Norway and the European Community by the Free Trade Agreement.

(1) Official Journal L 171, 1973: EEC-Norway Free Trade Agreement
 Official Journal L 348, 1974: ECSC-Norway Free Trade Agreement

Cooperation has been extended beyond the framework of the Agreement to the following areas:

Fisheries

A Framework Agreement was negotiated between the Community and Norway in 1978 and approved by the Council in 1980. On the basis of this Framework Agreement annual arrangements have been concluded since 1978 laying down fishing rights in the territories of both parties. On the basis of the 1966 Tripartite Agreement between Norway, Denmark and Sweden on fishing rights in the Skagerrak region, the Community (inheriting as it were Denmark's rights now that the country had become a member) negotiated similar agreements for 1978, 1979 and 1980. No such agreement was able to be reached for 1981 and 1982.

Steel industry

Because of the recession in the steel market the Community and Norway have, since 1978, been negotiating annual arrangements on trade in steel.

Science and technology

Norway participates in European cooperation in the field of scientific and technical research (COST). Its main areas of interest are data processing, telecommunications, meteorology, oceanography, transport and metallurgy.

Exchange of information

Experts from both sides meet regularly to exchange information on energy matters, sea, air and land transport, environmental protection, economic and monetary matters and development aid. There have recently also been contacts on industrial policy.

4. SWEDEN

The EEC-Sweden and ECSC-Sweden Free Trade Agreements (1) introduced full free trade in industrial products. The Community will, however, maintain customs duties on imports of paper and pulp from Sweden until 31 December 1983. Until that date the Community may also levy the full duty rate if certain maximum quantities are exceeded.

(1) Official Journal L 300, 1972: EEC-Sweden Free Trade Agreement
Official Journal L 350, 1973: ECSC-Sweden Free Trade Agreement

The Free Trade Agreements have been operating well and trade has grown considerably between the two partners. Between 1973 and 1981 Sweden's exports to the Community climbed from 5 229 million UA to 12 281 million UA (46.5% of its overall exports in 1981). During the same period Sweden's imports from the Community increased from 4 839 million UA to 12 391 million UA (48.6% of its overall imports in 1981).

Sweden is the Community's third biggest customer, taking 2.3% of its overall exports in 1981, and its fifth biggest supplier, providing 4.03% of the Community's total imports.

The 1972 Agreement provided for a number of tariff concessions for certain processed agricultural products and expansion of the trade in agricultural products.

In 1981, 64.8% of the Community's imports from Sweden consisted of machinery, vehicles and other industrial products; 5.3% of chemicals and 12.3% of paper products, iron and steel, non-ferrous metals and steel products. The Community's exports to Sweden consisted mainly of machinery, vehicles and other industrial products (51%), chemicals (6.6%), and goods such as textiles, iron and steel products (14%).

In certain areas, some of which were not covered by the Agreement, there have been special developments:

Steel

In connection with the measures which the Community has had to take to deal with the steel crisis (the "Davignon Plan"), annual arrangements have been made on trade in steel since 1978.

Fisheries

A Framework Agreement between the Community and Sweden, which was negotiated in 1977 and approved by the Council in 1980, calls for annual arrangements whereby both parties 1. cooperate in conserving joint fish stocks in those areas of the Baltic and the Kattegat which are outside either side's territorial waters; and 2. grant each other reciprocal fishing rights, meaning above all permissible catch quotas in their respective territorial waters. Corresponding arrangements were made under this Framework Agreement for 1978, 1979 and 1980. Agreements have not been able to be reached for 1981 and 1982.

Also in the fisheries sector, on the basis of the 1966 Tripartite Agreement (between Denmark, Norway and Sweden) on fishing rights in the Skagerrak, the Community (inheriting as it were Denmark's rights now that the country had become a member) negotiated Tripartite Agreements with Sweden (and Norway) in 1978, 1979 and 1980. No such agreement has been reached for 1981 or 1982.

Other areas of cooperation

Outside the Free Trade Agreement, cooperation between Sweden and the Ten has been extended to the following areas:

- Following an Agreement signed in 1976 Sweden is participating in the Community's controlled thermonuclear fusion research programme (JET).
- Sweden is participating in a number of the Community's COST programmes (cooperation in the field of scientific and technical research), covering data processing, telecommunications, meteorology, oceanography, transport and iron and steel.
- In 1981 an agreement was concluded on linking up the Community's data transmission network (EURONET) with the Swedish data network for information retrieval purposes.
- Information is regularly exchanged and meetings held between experts on sea and air transport, environmental and consumer protection, the paper and wood industry, economic and monetary matters and development aid.

5. FINLAND

The Free Trade Agreements between the EEC and Finland and the ECSC and Finland were signed on 5 October 1973 (1). The former Agreement entered into force on 1 January 1974 and the latter on 1 January 1975, thus establishing free trade in industrial products between Finland and the European Community. The Agreements provided in particular for the immediate abolition of all quantitative restrictions (except for certain fertilizers and fuels in the case of Finland) and for the progressive lowering of all tariff barriers affecting the products covered by the Agreements.

(1) Official Journal L 328, 1973: EEC-Finland Free Trade Agreement
Official Journal L 348, 1974: ECSC-Finland Free Trade Agreement

Thus by 1 July 1977 the Community had abolished customs duties on most industrial products and by 1 January 1980 on a number of textile products, aluminium and certain other non-ferrous metals. The Community will definitely abolish its duties on paper imports by 1 January 1984. Until that date it may, if fixed maximum quantities are exceeded, reintroduce the full duty rate. The charges, which have so far been cut by 66%, at present stand at 4%; as from 1 January 1983 they will be cut to 2% and on 1 January 1984 completely abolished. No charges are levied on the Community's imports of newsprint. For its part, Finland has progressively dismantled customs charges on industrial imports from the Community; the last duties will be abolished on 1 January 1985.

Although customs duties have not yet been completely dismantled, trade has increased considerably since the Agreements entered into force. Between 1974 and 1981 Finland's exports to the Community doubled - from 2 210 million UA to 5 003 million UA - to account for 33% of Finland's overall exports in 1981. Over the same period Finland's imports from the Community rose by 224% - from 1 972 million UA to 4 422 million UA - accounting for 34.8% of this country's total imports.

TRADE BETWEEN THE COMMUNITY AND FINLAND (million UA)

	<u>1975</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
EC imports	1784	2962	3869	4427	5003
EC exports	2021	2065	2657	3456	4422
Balance	+237	-897	-1212	-971	-581

Source: EUROSTAT

In 1981 machinery, transport equipment and other industrial products accounted for some 47% of the Community's exports to Finland and chemicals for 10%.

Paper is Finland's major export. In 1981, 3.3 million tonnes, worth a total of 1 814 million UA, were exported to the Community. Paper represented 35% of Finland's total exports to the Community in 1981; wood came next (920 million UA = 18%), then iron and steel (249 million UA = 5%) and non-ferrous metals (154 million UA = 3%).

Free access to the Community and the market situation for these products in the Community are therefore extremely important for Finland's economy. At the same time, as demonstrated by the pattern of trade described above, Finland provides an important market for Community exports.

Steel industry

Because of the recession on the steel market the Community and Finland have since 1978 been negotiating annual arrangements on trade in steel.

Cheese trade

On 3 December 1981 the Council of the European Communities adopted an Agreement between the Community and Finland to promote trade in cheese.

Fisheries

At the end of 1978 the Commission of the European Communities and Finland initialled a Framework Agreement granting reciprocal fishing rights. This Agreement has still to be adopted by the Council of the European Communities.

Practical cooperation with Finland has been extended to cover a number of other areas not covered by the Free Trade Agreements. Thus Finland has been participating in a number of joint scientific and technical research projects under the COST programme.

Negotiations on linking up the Finnish data transmission network to EURONET have been concluded.

There has been an exchange of information and views between the Commission of the European Communities and the relevant departments of the Finnish Government on developments in economic and monetary matters, environmental protection and the situation in the wood, paper and steel industries.

6. ICELAND

The EEC-Iceland and ECSC-Iceland Free Trade Agreements were signed on 22 July 1972 and entered into force on 1 April 1973 and 1 January 1974 respectively (1). In view of the fundamental importance for Iceland of its fishery products a special protocol (Nº6) to the Free Trade Agreement provided for duty-free admission or tariff cuts in respect of imports into the Community of Icelandic fishery products. Because of differences between Iceland and certain Member States regarding fishing rights in the waters off the Icelandic coast this Protocol on Icelandic fish exports to the Community did not enter into force until July 1976.

Since then the Free Trade Agreement has operated well. Between 1973 and 1981 Iceland's exports rose by 567% (from 48.6 million UA to 276 million UA), accounting for some 31.7% of Iceland's overall exports.

Between 1976, when the Fisheries Protocol entered into force, and 1981 fish exports increased by 350% (from 31.4 million UA to 110.2 million UA).

Apart from fish (which accounts for 40% of Iceland's total exports to the Community) Iceland's other main exports are aluminium (58.1 million UA = 21%), and animal oils and fats (29.4 million UA = 10.6%). These three product categories thus represent 71.6% of Iceland's total exports to the Community. In 1981 exports to the Community, as a share of Iceland's overall exports, amounted to 12.3% in the case of fish products, 6.5% in the case of aluminium and 3.3% in the case of animal oils and fats. Free access to the Community market and the market situation for these products are therefore extremely important for Iceland's economy.

Iceland's imports from the Community also increased significantly - from 128 million UA in 1973 to 409 million UA in 1981 - representing a growth rate of nearly 319%. Machinery, vehicles and other industrial manufactures account for more than 24% of the Community's exports to Iceland.

Iceland has always had a large trade deficit with the Community ; it amounted to 133 million UA in 1981.

Fisheries

In 1980 the Community and Iceland entered into negotiations for an agreement on fisheries. Those negotiations have not yet been concluded.

On 22 January 1982 a Diplomatic Conference convened in Reykjavik by the Icelandic Government adopted a Final Act containing a Convention for the Conservation of Salmon in the North Atlantic Ocean. The Final Act was signed by representatives of the Community, Canada, Denmark (in respect of the Faroes), Iceland, Norway, Sweden and the United States. The Council of the European Communities is the designated depositary of the Convention, which established a North Atlantic Salmon Conservation Organization, with headquarters in Edinburgh.

(1) Official Journal L 301, 1972 : EEC-Iceland Free Trade Agreement

(2) Official Journal L 350, 1973 : ECSC-Iceland Free Trade Agreement.

STATEMENT MADE BY THE COUNCIL OF THE EUROPEAN COMMUNITY ON 19 JULY 1982

"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 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 Communities and the EFTA countries, have made 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 a world of crisis, where the preservation of free trade world wide is increasingly threatened, solidarity within Western Europe and co-operation in addition to bilateral relations really come into their own. The Council would stress the political importance it attributes to such solidarity and co-operation.

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 Government 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 co-operation additional to the free-trade Agreements, and the readiness of the Community to undertake such co-operation 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 co-operation in numerous fields all the more desirable, and a great deal of progress has been made here over the last few years.

The Council would finally stress that it considers a dynamic approach of this kind important and intends, in close co-operation with the Commission, to continue the work in progress in the various fields of co-operation with a view to achieving concrete results. To the same end it is also prepared to examine any suggestion for more extensive co-operation which may be made by the EFTA countries".

STATISTICS

Comparative socioeconomic indicators

	Population (million, 1980/81)	Population density per km ² (1980/81)	GDP (USD'000 million) 1980	Per capita GDP (USD) (1980)	Unemployed as % of the working population (second quarter of 1982)
Austria	7.6	91	76.98	10 251	2.8
Switzerland	6.4	156	101.47	15 922	0.3
Norway	4.1	12	57.29	14 019	1.7
Sweden	8.3	18	122.75	14 761	2.8
Finland	4.8	14	49.90	10 440	6.1
Iceland	0.2	2	2.86	12 469	0.3 (1980)
EC (10)	270.9	177	2801.09	10 342	9.1

Sources: OECD, Eurostat

Industrial production indices

	1977	1978	1979	1980	1981
Austria	111	113	122	125	123
Switzerland	106	106	108	114	115
Norway	105	116	125	132	132
Sweden	94	93	100	98	95
Finland	102	107	118	128	129
Community	110	113	118	117	114

Sources: OECD, Eurostat

Geographical structure of trade (in%)

1981

	Imports			Exports		
	Other EFTA	EEC	Rest of world	Other EFTA	EEC	Rest of world
Austria	7.6	58.9	33.5	12.1	52.8	35.1
Switzerland	7.0	65.6	27.3	8.9	48.7	42.4
Norway	24.1	46.3	29.6	12.6	70.6	16.8
Sweden	16.8	48.6	34.6	20.4	46.5	33.1
Finland	17.2	32.5	50.3	20.5	35.2	44.3
Iceland	24.0	44.4	31.6	17.6	31.3	51.0

Source: OECD

Trend of the balance of trade (in USD million)

		1973	1975	1977	1978	1979	1980	1981
Austria	World	-1 836	-1 874	-4 425	-3 838	-4 856	-6 887	-5 195
	EEC	-1 997	-2 528	-5 440	-4 087	-4 809	-5 564	-4 025
Switzerland	World	-2 143	- 390	- 288	- 238	-2 830	-6 718	-3 703
	EEC	-3 673	-3 223	-3 810	-4 984	-7 101	-9 329	-7 183
Norway	World	-1 539	-2 498	-4 165	-1 403	-2 274	+1 536	+2 308
	EEC	- 590	- 532	-1 076	+ 835	+1 844	+5 086	+5 424
Sweden	World	+1 546	- 633	-1 071	+1 235	-1 006	-2 496	- 305
	EEC	+ 261	-1 701	-1 429	- 212	-1 166	-1 233	- 754
Finland	World	- 491	-2 110	+ 58	+ 703	- 158	-1 460	- 220
	EEC	+ 1	- 853	- 159	+ 463	+ 667	+ 309	+ 305
Iceland	World	- 37	- 181	- 93	- 35	- 37	- 71	- 131
	EEC	- 31	- 142	- 130	- 108	- 75	- 80	- 177

Sources: UN, OECD, EFTA

Trend of consumer prices (in %)

	1973-1976	April 1982 / April 1981
Austria	22.25	5.8
Switzerland	19.25	5.5
Norway	33.50	11.4
Sweden	33.25	8.7
Finland	57.75	9.6
Iceland	178.25	42.0
Community	40.1	11.0

Source: OECD

EUROPE INFORMATION "EXTERNAL RELATIONS"

The following copies of "Europe Information" are still available, and may be obtained from:

Directorate-General for Information
Documentation Service, Berl. 2/84
Commission of the European Communities
Rue de la Loi 200
B - 1049 Brussels

- 9/78 Turkey and the European Community
- 21/79 Latin America and the European Community
- 24/79 Mexico and the European Community
- 25/79 The GATT Multilateral Trade Negotiations
- 26/79 The European Community and the Countries of Eastern Europe
- 30/80 The European Community and Yugoslavia

- 36/80 The European Community and Brazil
- 37/80 List of main EEC agreements with other countries

- 40/80 The Community of Ten in figures
- 41/81 The Generalised System of Preferences and the European Community

- 43/81 Spain and the European Community
- 44/81 The European Community's Textiles Trade
- 45/81 The European Community and Bangladesh
- 46/81 The European Community and Sri Lanka
- 47/81 The European Community and Japan
- 48/81 The European Community and Sweden
- 49/81 The European Community and Norway
- 50/81 The European Community and India
- 51/81 ASEAN and the European Community
- 52/81 The European Community and Korea
- 53/81 The European Community and Central America
- 54/81 The European Community and Canada
- 55/82 The European Community and Australia
- 56/82 The European Community and New Zealand
- 57/82 The European Community and the United States
- 58/82 The European Community and Portugal
- 60/82 The European Community and the People's Republic of China