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FREE TRADE

Finland drops surcharges on tights and rubber boots

Finland abolished its surcharge on imports of women's tights and on rubber boots from 1st January 1980.

The surcharge levied on low-priced tights had been in force since December 1976 and on low-priced rubber boots since February 1977.

So far as EFTA is concerned, the Committee of Trade Experts reviewed the working of the system at regular intervals, at the request of the Joint Council. The latest statistics available, covering September-December last year, confirm previous trends that apart from a few exceptions of minor importance no imports of either tights or rubber boots had entered Finland from EFTA countries at prices below the reference prices at which imports become liable to surcharge.

Austria abolishes reference prices for tights

Austria has decided not to renew its system of reference prices for imported tights which expired last October, EFTA trade experts were told at their February meeting in Geneva.

Twice during the 1970s minimum reference prices were stipulated for the import of tights made of synthetic fibres, accompanied by authority to impose a levy to compensate for the difference between the prices at the Austrian border and the minimum reference prices.

While these regulations were in force EFTA's Committee of Trade Experts was regularly informed about import developments in Austria. The item has now been dropped from the agenda, following the Austrian decision.

Notification of technical regulations in 1979

EFTA received 49 notifications of new or amended technical regulations from member countries in 1979 under what is known as the "INST" procedure.

This notification system is a means of avoiding the creation of technical obstacles to trade between the EFTA countries. The notifications give other EFTA governments the possibility of considering the implications for their traders of the new regulations and of putting forward comments which may be taken into account in the final formulation of the regulation.

A wide range of rules, administrative and legislative, adopted by public authorities as well as technical specifications and

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regulations that might have an impact upon trade between EFTA countries are covered by the procedure, which is subject to an annual review in the Committee of Trade Experts.

Although the procedure was simplified in 1975 the number of notifications from some EFTA countries remains somewhat low, considering the wide field covered. In 1979 less than 20 per cent of the notifications concerned regulations which were still at the drafting stage, which is a prerequisite for a discussion with other member countries. Nearly half concerned regulations that had already entered into force.

The GATT agreement on technical barriers to trade, which entered into force in most industrialised countries on 1st January 1980, contains a similar notification system. When that system becomes operative its implications for the "INST" procedure will have to be assessed.

Negotiations on trade with Greece

Consultations have recently been taking place between the EFTA countries in preparation for negotiations now about to start between each of them and the Commission of the European Communities on the transitional arrangements to govern trade between the EFTA countries and Greece when Greece joins the EC on 1st January 1981.

The negotiations concern the application to Greece of the bilateral free trade agreements that link the EFTA countries with the EC. Under these agreements trade in virtually all industrial products is duty-free. However, the terms of the treaty by which Greece is acceding to the EC include a transitional period for the removal of Greek tariffs which lasts until the end of 1985.

The EFTA countries are ready to enter into negotiations on transitional arrangements. Their view is that from the accession of Greece the treatment (in terms of tariffs and quotas) given to EFTA's exports to Greece of products covered by the free trade agreements should be no less favourable than the treatment given to EC exports to Greece.

OTHER EFTA ACTIVITIES

EFTA and EC consultative bodies meet

The elimination of technical barriers to trade, and economic and monetary problems, were the main themes discussed at a joint meeting of delegations from EFTA's Consultative Committee and the EC's Economic and Social Committee held in Brussels on 12th February.

On technical barriers to trade, it was agreed that it should be an important part of EFTA-EC cooperation to remove present barriers and to prevent the emergence of new ones. In a reference to the role of the two European standards organisations, CEN and CENELEC, in whose work the EC and EFTA countries take part, the view of the Economic and Social Committee, that the two organisations should play a more active role, was endorsed and it was stressed that the EFTA countries and the EC should make better use of them. The necessity for both groups to exchange information in advance on planned technical standards and on relevant legislation for consumer and environmental **protection** was also acknowledged.

In the discussion on economic and monetary matters the European Monetary System (EMS) was welcomed as a positive contribution to monetary and general economic stability in Western Europe, although it was thought that it could not solve problems on its own in the absence of effective economic convergence.

On the economic outlook the general view was that closer international cooperation is necessary on economic matters. Support was expressed for the view that the economic dialogue between the EFTA countries and the EC should be intensified, with a view to the convergence of economic policies which was considered necessary to create conditions that would promote investment and innovation, economic growth, price stability and full employment.

Consultative Committee meeting

EFTA's Consultative Committee, meeting in Geneva on 13th and 14th February, reviewed the economic outlook for the EFTA countries, with a certain emphasis on the means of countering inflation, as the most important obstacle to growth in the short term, and on the problem of unemployment. An account of the debate will be given in the March-April issue of the EFTA Bulletin which will also report on the other items discussed: current EFTA activities, the impact of the European Monetary System on the EFTA countries,technical barriers to trade, and relations with the newly industrialising countries.

Consultative Committee and the EFTA Councils

A proposal that, as an experiment, a small ad hoc group of members of the Consultative Committee should meet to prepare a

OTHER EFTA ACTIVITIES

report on the economic situation for the Committee's autumn meeting was accepted by the Committee in February and will now be considered by the EFTA Councils.

The proposal was made in the course of a discussion on the work of the Economic and Social Sub-Committee - which had recently completed a study on the impact of the European Monetary System on the EFTA countries - but the idea was partly inspired by the debate on another agenda item, on the organisation of the Committee's work.

A number of its members have been seeking a more direct contact between the Committee and the Councils at ministerial level. One of the suggestions made on this occasion was that the Committee should nominate rapporteurs or working parties which would prepare analytical reports as a basis for the Committee's discussion. The reports, it was proposed, could then be submitted to the Councils together with the comments made during the discussions.

Committee of Members of Parliament to meet in Lisbon

The choice of Lisbon as the site of the next meeting of the Committee of Members of Parliament of the EFTA countries was confirmed when the chairman and the secretaries of the national delegations met in Strasbourg at the end of January.

The meeting will be held on 16th-18th April. The international economic situation after the latest oil price increases will be one of the main items discussed. Emphasis will be on policies to be pursued under the present constraints in order to combat inflation and promote employment.

EFTA's Secretary-General will report on current EFTA activities and there will also be a continuation of the discussion on possible relations with the European Parliament. EFTA's information policy is another item on the agenda.

Participants in the meeting will have a chance of becoming better acquainted with economic developments in the host country through briefings on current trade issues and the industrial and labour market policies of Portugal.

EFTA's trade deficit doubled in 1979

Although EFTA trade (expressed in US dollars) grew at a fast pace throughout 1979, imports exceeded exports, leaving the EFTA countries as a group with a trade deficit of 11.2 billion dollars. This was double the deficit recorded in 1978. A sharp deterioration, due to rising oil prices, was noted in the second half of the year when two-thirds of the deficit was incurred.

	In national currencies (millions)			In million US dollars		
	1979	1978	Percentage change over 1978	1979	1978	Percentage change over 1978
Imports:						
Austria	269,862	231,888	16.4	20,177	15,970	26.3
Finland	44,045	32 , 33 8	36.2	11,308	7,854	44.0
Iceland	291,000	183,000	59.0	825	675	22.3
Norway	69,514	60,169	15.5	13,727	11,483	19.5
Portugal*	300,000	227,854	31.7	6,132	5,186	18.3
Sweden	121,700	92,700	31.2	28,388	20,522	38.3
Switzerland	48,730	42,300	15.2	29,308	23,658	23.9
EFTA				109,865	85,348	28.7
Exports:						
Austria	206,253	176,112	17.1	15,421	12,129	27.1
Finland	43,430	35,206	23.4	11,150	8,551	30.4
Iceland	278,500	176,000	58.2	790	649	21.7
Norway	68,125	57,084	19.3	13,453	10,894	23.5
Portugal*	176,800	107 ,203	64.9	3,614	2,440	48.1
Sweden	118,100	98 ,21 0	20.3	27,548	21,728	26.8
Switzerland	44,024	41,779	5.4	26,477	23,366	13.3
EFTA				98,453	79,757	23.4

* Estimate

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EFTA's imports totalled 109.9 billion dollars in 1979, an increase of 28.7 per cent. Exports grew by 23.4 per cent to reach a total of 98.5 billion dollars.

The biggest export increase in 1979 was achieved by Portugal (estimated figure) 48.1 per cent, followed by Finland 30.4 per cent, Austria 27.1 per cent and Sweden 26.8 per cent.

Finland reported the biggest import increase, 44 per cent, followed by Sweden, 38.3 per cent, Austria 26.3 per cent and Switzerland 23.9 per cent.

Trade statistics expressed in national currencies are also given in the table and differ, in some cases considerably, from the dollar values. Switzerland's, for instance, recorded an export growth in its national currency of 5.4 per cent, but when expressed in dollars the increase was 13.3 per cent. In the case of Iceland, it is the opposite way around. When expressed in its own currency, the export increase was 58.2 per cent against 21.7 per cent in dollars.

The rapidly increasing deficit was mainly caused by higher energy prices, hitting all EFTA countries, except Norway. It was able to reduce its deficit through a big increase in the export of oil.

EFTA Economic Prospects for 1980

The EFTA countries benefited substantially from the turn of economic events in Europe in 1979. The expansion of import demand in their main customer countries helped them to expand exports at a rapid pace. The rise in industrial production in the Community had produced increased demand for raw materials and semi-manufactured goods, both of which weigh heavily in the export structure of EFTA countries. Moreover, some of the EFTA countries had gone through a phase of domestic demand restraint and measures to improve competitiveness and were thus well placed to take advantage of an expansion in demand for their exports.

The EFTA countries as a whole increased their growth rate from about 2 per cent in 1978 to some $3\frac{1}{2}$ per cent in 1979, both as a result of the expansion in exports noted above, as well as because they were able to pursue a more relaxed policy of internal demand management than in the previous years. Their combined current account deficit is estimated to have deteriorated somewhat in 1979. The combined current deficit of the EFTA countries is estimated to have been $2\frac{1}{2}$ billion US dollars, compared with virtual balance in 1978. The total includes an improvement for Norway of about \$1 billion, partly due to increased exports of oil and gas,

implying that the deterioration for the remaining countries would amount to about $3\frac{1}{2}$ billion.

The economic prospects for the EFTA countries this year are principally influenced by the fact that late in 1979 their economies were still expanding on the strength of the export boom that was in evidence in early 1979. Towards the end of last year there were signs that this export wave was beginning to falter. The expansion of their domestic demand is likely to continue for most of this year in the wake of the export expansion. This fits in well with the experience of previous cycles, when the EFTA countries tended to follow the larger industrial countries in Europe with a certain lag. The stronger growth in the EFTA countries will thus help to mitigate the slower pace of growth in the major European industrial countries.

It is estimated that the EFTA countries, taken together, can expect production growth to be in the area of $2\frac{1}{2}$ to 3 per cent between 1979 and 1980. These estimates take into account as far as possible the impact of the oil price increases to the middle of January. The growth in the EFTA economies thus seems to be staying clearly above prospects for the OECD area as a whole.

Some uncertainty prevails about the development of the current balances of EFTA countries this year. Provisionally it is estimated that their current balances combined will deteriorate from $\frac{22}{2}$ billion in 1979 to just over \$6 billion in 1980. Excluding Norway which, mainly due to the rising value of its oil and gas exports, is expected to have an improvement of \$2 billion between the two years, the deterioration in the combined EFTA current balance may be of the order of \$5 billion.

The EFTA countries should be in a good position to hold down unemployment in 1980 and not share in the generally sharp increase expected in industrial countries. Both Finland and Portugal, the two EFTA countries with the highest unemployment rate, seem to be in a position to have fairly strong growth in 1980 and may even be able to improve their employment situation somewhat.

Similarly, the inflation outlook in the EFTA countries as a whole seems better than average. Both Austria and Switzerland seem likely to maintain inflation rates at 5 per cent or below. After the lifting of the Norwegian price and wage freeze, a certain acceleration in inflation is expected and estimates between 6 and 8 per cent have been suggested. Finland and Sweden should also be able to keep inflation below the European average.

The better inflation performance of some of the EFTA countries will make it possible for them to maintain a somewhat more

growth oriented demand policy than many other European countries.

If no improvement can be seen in the growth outlook for major European countries in the course of the year, several EFTA countries may, however, have to introduce more restrictive economic policies from the end of 1980 onwards, partly for balance of payments considerations and partly to check inflation.

EFTA trade with newly industrialising countries

Although imports from newly industrialising countries (NICs) have increased at an accelerating pace, EFTA's trade balance with these newcomers on the industrial scene remains positive.

In 1978 EFTA's surplus on its trade with ten NICs* amounted to \$1,400 million. Exports were 40 per cent higher than imports, a figure which is characteristic of the trade with the NICs over the past twenty years, EFTA's Consultative Committee was informed in February.

The rise in EFTA's imports from the ten countries has been matched by a corresponding increase in EFTA's exports to them, as this table shows:

	All goods l	.966/1978	Manufactured goods 1966/1977		
	EFTA imports	EFTA exports	EFTA imports	EFTA exports	
World	15.3	16.1	18.7	19.5	
NICs	16.1	16.1	24.1	16.4	
of which:					
European NICs	15.3	15.3	22.7	1 5. 8	
Asian NICs	26.0	23.8	30.0	21.5	

GROWTH RATES, DOLLAR VALUES

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^{*} The NICs included here are the same as in a recent OECD study: four South European countries - Greece, Portugal, Spain and Yugoslavia; two Latin American countries - Brazil and Mexico; and four Asian countries - Hong Kong, Singapore, South Korea and Taiwan.

Total exports increased to \$4,860 million in 1978. Sweden and Switzerland were clearly in the forefront of the exporting countries, providing two thirds of EFTA exports. Where did exports go? In the first place, to the four South European NICs, followed by Brazil and Hong Kong.

The most important export line from EFTA is undoubtedly machinery and transport equipment which account for 47 per cent of total manufactured exports. Ships and boats weigh heavily in trade statistics, followed by manufactured goods and chemicals. Nevertheless, NIC's total share of EFTA's export trade was limited, only 6.1 per cent in 1978.

Portugal, itself a NIC country, was the only EFTA country to report a large deficit on its trade with the NICs, mainly because of its trade with Spain. Other EFTA countries experienced occasional deficits, but these are exceptions which do not change the overall positive trend.

	Trade balance with world		Trade balance with NICs		
	1972	1978	1972	1978	
Austria Finland Iceland Norway Portugal Sweden Switzerland <u>EFTA</u>	-1,320.6 -251.52 -41.49 -1,091.40 -898.86 677.64 -1,617.84 -4,544.07	-3,840.84 701.16 -29.64 -1,383.48 -2,730.49 1,233.00 -291.00 -6,341.29	87.84 28.32 11.41 81.36 -125.90 115.20 429.00 627.23	201.96 -40.20 41.20 47.40 -267.65 130.56 1,286.88 1,400.15	

Trade Balances of the EFTA Countries

(in million US dollars)

Total imports from the NICs amounted to \$3,460 million in 1978, having increased at an average annual rate of 16 per cent since 1966. Again Sweden and Switzerland turned out to be the main trading partners, accounting for half of total EFTA imports. Austria and Norway rank third and fourth on the list.

Spain was the most important supplier (27 per cent), followed by Brazil and Hong Kong, whereas Mexico, Singapore and Greece

played a less important role.

37.5 per cent of EFTA imports of manufactures from the NICs consist of textiles and clothing (1977 figure). Over one quarter (28 per cent) of EFTA's total import of clothing and textiles came from the NICs in that year. Other products imported from NICs include miscellaneous manufactures such as footwear, travel goods, photographic and optical goods. Machinery and transport equipment formed about 23 per cent, but these imports are expanding fast.

Figures on trade developments reveal, however, that trade with the NICs plays a modest role in the economies of the EFTA countries. Slightly above 4 per cent of total imports (1978 figure) and less than 4 per cent of imported manufactured goods (1977 figure) came from the ten NICs. The equivalent figure for manufactured goods imported into the OECD area as a whole is 8 per cent.

INTERNATIONAL COOPERATION

Joint EFTA-Yugoslavia Committee: Ad hoc group on tourism

A date (llth-13th March) has now been fixed for the first meeting of the ad hoc group which is to provide consultancy services for the reconstruction of tourist facilities in Montenegro which were destroyed by the earthquake last April.

The group, established by the Joint EFTA-Yugoslavia Committee, will meet in Montenegro in order to obtain first-hand knowledge of what is needed to restore the tourist industry and of the specific consultancy services which experts from the EFTA countries could provide.

On the EFTA side, five countries are at present represented in the expert group: <u>Mr. Erich Oberländer</u>, from the Tourist Department of the Austrian Ministry of Trade, <u>Mr. Pekka Ropponen</u>, from the Finnish Tourist Board, <u>Mr. Michael Grude</u> from the Norwegian Tourism Directorate, <u>Mr. Bengt Sparre</u> from the Swedish Ministry of Trade and <u>Mr. Peter Schmid</u> from the Swiss Federal Office for Transport, tourism section. The names of the Yugoslav participants are not yet known.

EFTA-Yugoslavia : Ad hoc group on industrial cooperation

The availability of information about business opportunities, the promotion of contacts between potential industrial partners in particular fields, and model contracts for industrial cooperation: these are some of the proposals that emerged from a discussion in January in an ad hoc group set up by the Joint EFTA-Yugoslavia Committee.

The group will examine these ideas more closely, as well as other means of stimulating industrial cooperation with Yugoslav enterprises, at a second meeting in April or May. The participants are specialists from industrial associations and industrial firms in the EFTA countries and Yugoslavia as well as from Yugoslav authorities.

At their first meeting the group had a thorough discussion of the legal and institutional frameworks for industrial cooperation and of the experience, positive and negative, of agreements between enterprises in the EFTA countries and Yugoslavia. Of the suggestions that arose during the discussion, the idea of devising model contracts aroused particular interest. Such contracts, encompassing the main forms of industrial cooperation, could be helpful in more than one way for EFTA firms doing business in Yugoslavia. The contracts would not limit the scope of negotiations between potential partners, but could be helpful as a point of departure for negotiations. Model contracts could help to remove uncertainty and

INTERNATIONAL COOPERATION

shed light on the practical application of the new law.

An easier access to information about business opportunities and potential industrial partners could also, it was suggested, encourage more industrial enterprises within EFTA to take an interest in Yugoslavia.

Statistics provided by Yugoslavia show that more than 250 agreements, embracing transfer of technology, long-term production cooperation and joint ventures have been concluded during the past twelve years between Yugoslav enterprises and EFTA firms. But the statistics also show that most contracts are with only three EFTA countries.

Switzerland, Austria and Sweden are far ahead of their partners in this field with Switzerland in the lead with 110 agreements, followed by Austria (79) and Sweden (46). Norway accounts for only 9 contracts, Finland 5 and Portugal 1. All contracts involving these three countries are concerned with the transfer of technology.

Yugoslavia is particularly interested in promoting industrial cooperation as a means of achieving stable, long-term economic relations with EFTA countries.

The group is to report to the Joint EFTA-Yugoslavia Committee in Yugoslavia in September.

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FORTHCOMING MEETINGS

<u>March 1980</u>	
3rd - 4th	Economic Committee
llth - 13th	Yugoslavia: ad hoc group on tourism: in Montenegro
21st	EFTA Industrial Development Fund for Portugal: Steering Committee
April 1980	
16th - 18th	Committee of Members of Parliament of the EFTA countries: in Lisbon
22nd	Ad hoc group on industrial cooperation between the EFTA countries and Yugoslavia: in Belgrade
22nd - 23rd	Heating Equipment Scheme: Participating approval bodies*
22nd - 25th	Committee of Origin and Customs Experts
May 1980	
7th	Pharmaceutical Inspection Convention: Committee of Officials*
21st - 22nd	Scheme for the mutual recognition of evalu- ation reports on pharmaceutical products: PER Committee*
June 1980	
10th - 13th	Ministerial meeting of the EFTA Councils; and joint meeting of Ministers, Consultative Committee and Committee of Members of Parlia- ment: in Saltsjöbaden (near Stockholm)
	All meetings take place in Geneva unless otherwise stated.
	Meetings of the Councils at official level are not listed here; they usually take place each Thursday except during the Easter, summer and Christmas recesses.
* Not an EFTA meet secretariat serv	ing, but the EFTA Secretariat p r ovides ices for it.

SCHEMES AND CONVENTIONS

The following items contain news of some of the international schemes and conventions which were originally worked out in EFTA with the purpose of overcoming technical barriers to trade. All are independent of EFTA. The secretariat services necessary for the administration of the schemes and conventions are provided by the EFTA Secretariat.

Hallmarking Convention: Impressive progress noted in 1979 One million articles marked

In 1979 approximately one million articles were marked with the common marks applied under the international Hallmarking Convention. It was noted with satisfaction by the Standing Committee, which met in Geneva on 29th and 30th January, that manufacturers are increasingly making use of the Convention. The 1979 figure is an improvement of 25 per cent compared with the previous year when 750,000 articles were marked in this way. The hallmarking indicates that articles of gold, silver and platinum meet the Convention's standards of fineness.

During the meeting it was noted, however, that the jewellery and watch-making industries of European countries are not sufficiently informed about the Convention and it was thought that some publicity should be made at that level.

Other matters dealt with by the Committee related to the coordination of assay and marking practices, the new edition of the compilation of acts of the Standing Committee and the exchange of information on national legislation on the hallmarking of particular articles of precious metals. At present the Convention is in force in Austria, Finland, Sweden, Switzerland and the United Kingdom. Two more countries, Norway and Portugal, will probably enter in 1980, when the Convention is ratified by Parliaments in the two countries.

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22nd February 1980