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FORTHCOMING MEETINGSOctober 1980

- 7th - 8th Hallmarking Convention: Standing Committee*
- 7th - 10th Committee of Trade Experts
- 13th - 15th EFTA-Spain Joint Committee: Subcommittee
on customs and trade matters
- 13th - 17th Committee of Origin and Customs Experts
- 20th - 22nd EFTA Industrial Development Fund for Portugal:
Steering Committee in Albufeira, Portugal

November 1980

- 10th - 11th Ministerial meeting of the EFTA Councils
- 14th Agricultural machines and tractors
scheme: meeting of the participating autho-
rities*
- 18th Pharmaceutical Inspection Convention: Committee
of Officials*

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, sum-
mer and Christmas recesses.

* Not an EFTA meeting, but the EFTA Secretariat provides
secretariat services for it.

ICELAND IMPOSES LEVY ON IMPORTED CONFECTIONERY AND BISCUITS

On 4th September Iceland was authorised by the EFTA Councils to apply a levy of 40 per cent of the c.i.f. import price on the import of confectionery and chocolate and of 32 per cent on the import of biscuits. The levy was applied from the following day on imports from all sources.

Authority to impose the levy had been requested by Iceland because the abolition of import quotas on these products - from 12 December 1979 for biscuits and 1 April 1980 for confectionery and chocolate - was followed by a fivefold increase in imports in the first half of this year and a consequent sharp contraction in the domestic industry.

The Councils acted on the basis of Article 20 of the Stockholm Convention which under certain circumstances permits exceptional measures to be taken for a maximum of eighteen months when they are considered indispensable to overcome serious difficulties in a particular industry.

The Icelandic government has drawn up a recovery programme for the industry. Consultancy services will be provided to improve packaging design, marketing and management techniques and the development of new products in order to make the industry more competitive when the levy is removed.

Iceland is to report to the Councils on the operation and effects of the levy and on the application of the recovery programme at regular intervals.

In the first six months of this year there was an increase of 300 per cent in the import of confectionery, chocolate and biscuits from the UK, the source of more than 50 per cent of all Icelandic imports of these products. Deliveries from the EFTA countries increased even more rapidly and accounted for 18 per cent of imports of confectionery and chocolate and 6 per cent of biscuit imports. Finland supplies about half of the imports from EFTA.

Under the free trade agreement between Iceland and the EEC Iceland is entitled to collect levies, of the size now authorised in EFTA, on these imports but did not do so until 5 September.

CONSULTATIVE COMMITTEE

With representatives from employers organisations, trade unions and other economic interest groups, it is hardly surprising that discussion in the meetings of EFTA's Consultative Committee should bring out differing views - the more so since debate concentrates on crucial contemporary economic issues. But most would agree that the recent meeting in Lisbon (September 8-9) was not only lively in this sense, but also because it succeeded in concentrating discussion on certain key problems. For the first time the review of the international economic situation was introduced by a report of a representative ad hoc group consisting of Committee members. This approach helped to sharpen the focus of the Committee and led to more direct debate.

Participants expressed concern at the deteriorating international economic situation and its impact on employment and the economic prospects in the EFTA countries. Even if the expected recession might be less steep and shorter than after the first round of oil-price increases, the consequences might be equally severe because of the higher level of unemployment prevailing at the outset.

All participants appeared to agree that inflation must be reduced. Some argued that the lowering of inflation rates and the creation of greater stability should be the first priority of government policies, while others laid greater stress on the need to maintain high levels of employment. Most speakers thought that more international cooperation was essential to overcome current economic difficulties and restore growth and full employment. There was also general agreement that energy issues should be in the centre of medium-term policies, while some speakers contended that EFTA should be more active in promoting free trade as a means of overcoming the present economic difficulties.

The role of free trade was also considered in detail in a follow-up to the discussions held in Saltsjöbaden on EFTA's twentieth anniversary. One rapporteur recalled the link trade unions generally make between free trade and employment : rising unemployment forced governments to protect their industries and thus endanger free trade while on the other hand the absence of free trade endangered employment in small export-oriented countries. Cooperation, in particular within Europe and including all social partners, was urgently needed to deal with the present economic crisis, in his view.

A second rapporteur, a representative of industry, recalled the agreement manifest at Saltsjöbaden on the gains derived from free trade in terms of employment and living standards, as well as on the extent of the work still to be done to defend and extend free trade. Joint meetings of the Committee with ministers

were one of a number of ways in which, through open-mindedness and flexibility, progress had been made towards greater cooperation within EFTA.

Two rapporteurs will now prepare a report identifying possible areas of common interest for the EFTA countries, to be discussed at a Consultative Committee meeting early next year.

During the meeting, the representative of the Swiss government - all the EFTA governments are represented by speaking observers in the Committee - announced that Switzerland, as chairman of the Councils in the first half of next year, would take the initiative for an ad hoc meeting between the two bodies in the spring. (This will be the fourth joint meeting.) This would provide an opportunity for a discussion on the specific proposals made by the Committee in the recent past. The idea would be that where there was a common attitude adopted by the EFTA governments the chairman would express it, and where there were differences, individual ministers would explain the points of view of their governments. This would help to eliminate misunderstandings and to highlight the possibilities and the limits of EFTA cooperation.

The discussion on the Portuguese economy was introduced by Mr. Rui de Almeida Mendes, Portuguese Secretary of State for European Integration, the chairman of the two-day meeting. He dealt with more recent developments, pointing out that the need for reducing the rate of inflation had led the Portuguese government to opt for a rather moderate growth. A rise in GDP close to 4 per cent was expected in the current year, and considerable success had been achieved on the external account with the stabilisation programme, the deficit of the balance of payments on current account having been cut from \$1.5 billion in 1977 to a mere \$34 million in 1979. The growth of exports was expected to slow down from the high level of 26 per cent in volume in 1979 to some 10 per cent, but since a recovery in domestic demand - especially in investment - was forecast, a small rise in employment (of 0.5 per cent) was anticipated for the current year. Real wages, which had been declining in recent years, should also rise in 1980.

A representative of the Portuguese trade unions raised some doubts on the forecast increase of 3 per cent in real wages and maintained that even if a 4 per cent growth was achieved in GDP the number of unemployed would still rise, assuming an increase in productivity similar to the one attained in 1979.

Several delegates congratulated the Portuguese authorities on the success obtained with the stabilisation programme, notably in relation to the external balance. This achievement, it was suggested, led to greater confidence in the Portuguese economy.

JOINT EFTA-YUGOSLAVIA COMMITTEE

Practical steps to expand trade between Yugoslavia and the EFTA countries and to encourage closer industrial links between Yugoslav organisations and enterprises in these countries were taken at the third meeting of the Joint EFTA-Yugoslavia Committee.

The meeting of the Joint Committee was held on 23-24 September at Sveti Stefan/Miločer on the coast of Montenegro under the chairmanship of Mr. Stojan Andov, Member of the Yugoslav Federal Executive Council, President of the Coordination Commission for Economic Cooperation with the EEC and EFTA. All EFTA countries were represented at ambassadorial level, the chairman of the EFTA Councils, Ambassador Adriano de Carvalho of Portugal, acting as spokesman. The EFTA Secretary-General, Mr. Charles Müller, also participated. The Committee agreed to set up two expert groups.

A group of legal experts is to draft model contracts for various types of industrial cooperation. The Joint Committee noted that more than 250 agreements on industrial cooperation had been concluded between Yugoslav organisations and firms in EFTA countries in the last twelve years, mostly in Switzerland, Austria and Sweden. However, the point was also stressed that further efforts should be made to encourage and facilitate this kind of cooperation, notably with respect to the legal framework.

The other new group will study the trade between the EFTA countries and Yugoslavia with a view to seeking means to expand further that trade and trade cooperation.

A major topic of discussion was recent trends in trade and trade patterns between individual EFTA countries and Yugoslavia. The Committee noted a continuation of the trend towards a better balance of trade between Yugoslavia and the EFTA countries. However, Yugoslavia's trade deficit with EFTA countries remained large although it was partly offset by tourist receipts and workers' remittances from the EFTA countries. In the discussion of the Committee the trade promotion meeting held in Belgrade (March 1979) was mentioned as a positive example of the efforts of the Committee to further trade relations between Yugoslavia and the EFTA countries. In reviewing areas for potential improvement in trade, among other matters it was noted with appreciation that the Yugoslav authorities are devoting particular attention to the elimination of counter-purchasing practices.

The Joint Committee reviewed the current economic situation in Yugoslavia and the EFTA countries. It was noted that the Yugoslav authorities had recently taken steps to reduce the deficit on current account. While the EFTA countries were still enjoying a fair rate of growth, increasing concern was expressed as

to the impact of current international economic difficulties.

Considerable attention was paid to further cooperation on tourism in Montenegro, where the meeting was held. A first fact-finding visit by Austrian and Swiss experts for the elaboration of a study on tourism following last year's earthquake in this area was to take place a week after the Joint Committee meeting. In a related project, also partly financed by EFTA, Finland and Sweden are working on a model of cost/benefit analyses for tourist projects which will be made available to the Montenegro authorities in the near future whereas Norway and Sweden are undertaking studies of the market potential for tourism.

The Yugoslav side also presented some suggestions aimed at cooperation in the field of transport. This matter will be discussed further at the next meeting of the Joint Committee.

The next meeting of the Joint Committee will be held in Geneva in autumn 1981.

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EFTA'S TWENTIETH ANNUAL REPORT

Some points from EFTA's twentieth annual report, which has just been published:

Trade deficit. The EFTA countries had a combined deficit of \$ 11.1 billion in their trade with the EC in 1979 even though for the first time more than 50 per cent of their exports went to the EC. In trade with the whole world (including the EC), their combined deficit amounted to \$12.12 billion, twice as much as in 1978.

Government aids. The various forms of aid given to industry by the governments of the EFTA countries are under consideration in EFTA. The seven governments have notified the Secretariat of the changes made in the aid measures they apply since this field was last surveyed in EFTA in 1968. The Councils will in the near future have a first exchange of comments on the information provided and give a mandate to the Committee of Trade Experts to discuss the notifications. The Committee is to present a first report to the Councils by the end of next March.

Paragraph 1 of Article 13 of the Stockholm Convention forbids the use of some specified kinds of aid to the export of goods as well as any other forms of government aid the main purpose or effect of which is to "frustrate the benefits expected

from the removal or absence of duties and quantitative restrictions" on trade between the EFTA countries.

EFTA-Spain. There are better opportunities for EFTA exporters to the Spanish market since 1 July when Spanish tariffs on industrial goods were cut under the multilateral free trade agreement between the EFTA countries and Spain. On some products the reduction is 25% and on most industrial products 60%. Duties on the import of almost all Spanish manufactures into the EFTA countries were also reduced on 1 July, generally by 60 per cent but with smaller reductions in Portugal. The agreement, which came into force on 1 May this year, contains a clear commitment to the goal of free trade.

Greece. All the EFTA countries have negotiated and most of them have signed additional protocols to their free trade agreements with the EC covering trade with Greece in the first five years of Greek membership of the EC. The protocols spell out the transitional arrangement for that period (to the end of 1985), after which there will be free trade between the EFTA countries and Greece so far as industrial products are concerned. Details will be given in a future issue of the EFTA Bulletin.