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The fight against protectionism

A call for greater coordination between the EFTA countries in response to the growing threat of protectionism in world trade has been made by Mr. Per Kleppe. Addressing the Consultative Committee for the first time in his capacity as Secretary-General of EFTA, Mr. Kleppe underlined the importance of maintaining and expanding the liberal trading system. Here follows an extract from his statement: "While it is important to fight against the new protectionist tendencies within a global context this fight cannot be conducted only within organisations such as GATT and OECD. The fight has to go on in all organisations, including our own. As I see it, this will be the main task in the coming years for our organisations.

"EFTA countries are more dependent than most other countries on a liberal, global trading system, and we should take every opportunity to fight the new protectionist tendencies wherever we meet them, not only with words, but also by practical deeds. This means, however, that our internal EFTA exercise can only be part of a wider struggle. Much of the work of EFTA as an organisation has to be directed towards third countries. In fact, already now, about two-thirds of the activities of the Association deal with such relations with third countries.

"It can of course be said that relations with third countries are not the task of EFTA as an organisation. Formally, this is true, and most of the activities of EFTA countries in relation to third countries take place in other bodies without being dealt /-

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Editor: David Egli

with within an EFTA context. But in many cases it might be useful from the point of view of the individual EFTA countries to join with other EFTA countries in order to defend certain interests in other international bodies. Separated, we are each of us too small to be looked upon as very significant in the international context. Together, the EFTA countries form a very important trading block. Our total imports and exports are substantial in the global context. It will be difficult for the bigger nations to overlook EFTA if we unite, not in an organisational manner, but as regards the opinions we express and the pressure we are able to make on the bigger countries or in the international organisations.

"Let me take the GATT as an example. Each EFTA country is a member of the GATT, but in the past rounds of GATT negotiations they have always tried to compare notes and to reach common positions. I see a great virtue in pursuing this method, not necessarily for all questions coming up in the GATT, but for most of them, especially since the forthcoming GATT ministerial meeting will not deal with individual tariffs and their details but rather with principles. The point is not to fight for individual national interests at this stage, but rather for the global interest which is expressed by all countries in maintaining and, in important respects, improving the free trade system.

"Some countries maintain that the GATT is too formalistic. It may be so from the point of view of the bigger countries which often use the strength of their economies or the political power to fight for their economic interests. From the point of view of the smaller countries which do not have the same power, the formal character of the GATT rules is an advantage. It provides them with defences which the big countries do not need to the same extent."

Consultative Committee meeting

EFTA's Consultative Committee met in Geneva on 10th and 11th March for the first part of its 46th meeting which will resume in Helsinki on June 3rd in the presence of EFTA ministers. The current EFTA ministerial chairman, Finland's foreign trade minister, Mr. Esko Rekola, chaired the meeting. Mr. Rekola stressed the importance of the preparatory work achieved in two main areas for discussion in Helsinki:

- government aids and free trade in relation to industrial and regional policies in EFTA countries; and

- ways of cooperating in EFTA to resist protectionism and promote free trade in a time of low economic growth and high unemployment.

Commenting on the meeting, he brought out the need, expressed by several delegations, for a certain coordination of economic policies. He also paid tribute to the understanding expressed on the trade union side for the need to contribute to anti-inflationary policies and to structural adjustments in order to encourage investment and thereby reduce unemployment.

Earlier, a delegation of the Consultative Committee met a delegation from the Economic and Social Committee of the EC and exchanged views on employment in Europe. A revival of investment, curbs on costs, higher productivity and a more appropriate training of young people were among the measures mentioned as necessary for an improvement in employment prospects in Europe.

Employment in the EFTA countries

Between 1973 - the year of the first major oil price increase - and 1980 the number of persons employed increased in all EFTA countries except Switzerland.

In Norway there were 260,000 more persons employed at the end of that period, an increase of some 15 per cent, while unemployment rose by no more than 7,000. In Sweden the additional number of people in jobs was 353,000, a rise of about 9 per cent, while the unemployment figure dropped by 12,000 between 1973 and 1980.

At the other extreme, employment in Switzerland was 191,000 lower in 1980 than in 1973 - a fall of about 6 per cent - and unemployment had risen from less than 1,000 to 6,000.

In all EFTA countries the population of working age (between 15 and 64 years) grew during the eight-year period, the biggest increases occurring in Iceland and Portugal and the smallest in Sweden. The growth in Iceland was entirely the result of demographic factors. In Portugal the return of Portuguese citizens from the former colonies after 1973 was one of the main reasons for the increase in the working age population.

In the four Nordic countries the labour force increased by more than the working age population, the contrast being particularly marked in Norway and Sweden. The principle reason in these two countries was the increase in the number of women in employment.

The statistics presented here do not distinguish between full-time and part-time employment, although part-time working has been an important factor in some countries.

POPULATION, LABOUR FORCE AND EMPLOYMENT in EFTA

(1,000 persons ; annual average growth rates in per cent)

	<u>Austria</u>		<u>Finland</u>		<u>Iceland</u>		<u>Norway</u>		<u>Portugal</u>		<u>Sweden</u>		<u>Switzerland</u>	
	1973	1980	1973	1980	1973	1978	1973	1980	1974	1980	1973	1980	1973	1980
Working age population, 15 - 64 years	4,626	4,804	3,133	3,235	127.0	138.5	2,477	2,577	5,717	6,161	5,267	5,328	4,103	4,213
Labour force	3,043	3,128	2,245	2,346	90.2	101.2	1,680	1,947	4,048	4,331	3,977	4,318	3,203	3,018
Employment	3,010	3,070	2,194	2,236	89.8	100.8	1,654	1,914	3,962	4,000	3,879	4,232	3,203	3,012
Unemployment	33	58	51	110	0.4	0.4	26	33	86	331	98	86	0	6
Annual growth rates, in %:														
Working age population	0.54		0.46		1.75		0.57		1.25		0.16		0.38	
Labour force	0.39		0.63		2.33		2.13		1.13		1.18		-0.85	
Employment	0.28		0.27		2.34		2.11		0.16		1.25		-0.87	

Sources: OECD, national statistics and EFTA Secretariat estimates

UNEMPLOYMENT AS A PERCENTAGE
OF TOTAL LABOUR FORCE

	<u>1973</u>	<u>1980</u>
Austria	1.1	1.9
Finland	2.3	4.7
Iceland	0.4	0.4 [†]
Norway	1.5	1.7
Portugal	2.1 [∅]	7.6
Sweden	2.5	2.0
Switzerland	0.0	0.2
Total EFTA	1.6	3.2
EEC	3.0	6.1
OECD	3.2	5.8

[†] 1978

[∅] 1974

Significant improvement of EFTA's real balance of trade in 1981

Near stagnation of output in the EFTA area as well as a gain in market shares of EFTA countries resulted in a sizeable improvement of EFTA's real balance of trade in 1981. According to preliminary figures and latest estimates, real exports of goods of the EFTA countries rose by some 2½ per cent - at a time when the volume of world trade appears to have slightly declined - while EFTA's real imports fell by around 2½ per cent. The real balance of trade improved in most EFTA countries.

Real exports grew fastest, by some 5 per cent, in Austria and Switzerland while they declined by between 1 and 1½ per cent in

Iceland and Portugal. On the other hand real imports fell in all EFTA countries except Iceland and Switzerland. The decline was most pronounced in Sweden, Austria and Finland, reaching between $5\frac{1}{2}$ and $6\frac{1}{2}$ per cent.

This development of real trade flows is, however, blurred when looking at the balance of trade in nominal terms and expressed in US dollars (Table I). As a result of the sharp appreciation of the US dollar, by more than 10% in effective terms, foreign trade of the EFTA area contracted in value terms in 1981 as was also the case in a number of the other industrial countries. However, the fall in the value of imports was nearly twice as much as that of exports, also pointing to the improvement of the external position of the EFTA countries as a group. The combined EFTA trade deficit narrowed by some 8 billion US dollars to roughly $12\frac{1}{2}$ billion US dollars.

EFTA COUNTRIES' TRADE IN 1980 AND 1981

TABLE I

(in million US dollars)

	<u>Total trade</u>		<u>Percentage change 1980/1981</u>	<u>Trade balance</u>	
	<u>1980</u>	<u>1981</u>		<u>1980</u>	<u>1981</u>
Imports c.i.f.					
Austria	24,256.7	21,002.7	-13.4	-6,887.2	-5,195.0
Finland	15,613.6	14,197.7	-9.1	-1,460.0	-219.9
Iceland	1,000.8	1,036.1	3.5	-71.3	-131.3
Norway	16,955.9	15,620.4	-7.9	1,536.6	2,307.3
Portugal	9,305.2	9,505.1*	2.1	-4,666.8	-5,361.9
Sweden	33,415.1	28,848.1	-13.7	-2,495.7	-305.3
Switzerland	36,336.1	30,602.5	-15.8	-6,717.8	-3,703.3
EFTA	136,883.4	120,812.6	-11.7	-20,762.2	-12,609.4
Exports f.o.b.					
Austria	17,369.5	15,807.7	-9.0		
Finland	14,153.6	13,977.8	-1.2		
Iceland	929.5	904.8	-2.7		
Norway	18,492.5	17,927.7	-3.1		
Portugal	4,638.4	4,143.2*	-10.7		
Sweden	30,919.4	28,542.8	-7.7		
Switzerland	29,618.3	26,899.2	-9.2		
EFTA	116,121.2	108,203.2	-6.8		

Source: National Statistics

* Estimated

The balance of trade improved in all EFTA countries except Portugal and Iceland. Because of the rise in oil prices, Norway's trade account closed with a sizeable surplus.

Looking at the country composition of EFTA trade (Table II) there was a reduction of the share, in EFTA's foreign trade, of the European Community (EC) which accounts for more than 50 per cent of EFTA's exports and imports. The relative decline in the importance of the EC was offset by a rise of trade with the US, Eastern Europe and the rest of the world which includes the growing OPEC markets. This is also in line with developments in world trade which show a decline in the share of the industrial

countries in total world exports.

EFTA TRADE IN 1980 AND 1981

COUNTRY DISTRIBUTION

TABLE II

(in per cent)

	1980					1981*				
	<u>EFTA</u>	<u>EC</u>	<u>USA</u>	<u>Eastern Europe</u>	<u>Rest of World</u>	<u>EFTA</u>	<u>EC</u>	<u>USA</u>	<u>Eastern Europe</u>	<u>Rest of World</u>
Imports c.i.f.										
Austria	7.9	62.4	3.4	9.7	16.6	7.6	58.9	4.1	11.9	17.5
Finland	17.6	33.6	5.8	24.4	18.6	17.2	32.7	7.5	26.5	16.1
Iceland	21.3	44.0	9.4	11.0	14.3	24.0	44.4	6.0	9.3	16.3
Norway	24.0	48.0	8.0	2.2	17.8	24.1	46.3	9.2	2.5	17.9
Portugal	7.6	39.6	10.9	2.4	39.5	7.5	37.4	12.2	2.9	40.0
Sweden	16.1	49.4	7.3	4.8	22.4	16.8	48.6	8.2	4.4	22.0
Switzerland	6.9	67.1	6.8	3.9	15.3	7.0	65.6	7.4	4.0	16.0
EFTA	12.8	53.7	6.6	7.3	19.6	13.1	51.8	7.6	7.9	19.6
Exports f.o.b.										
Austria	12.4	55.2	2.2	12.1	18.1	12.1	52.8	2.6	11.4	21.1
Finland	23.5	39.2	3.2	19.9	14.2	20.5	35.2	3.7	26.4	14.2
Iceland	15.2	38.8	21.6	8.9	15.5	17.7	31.3	20.8	7.9	22.3
Norway	12.6	71.5	3.0	1.4	11.5	12.6	70.6	3.8	1.5	11.5
Portugal	13.9	54.7	5.7	2.0	23.7	13.8	52.8	5.2	2.3	25.9
Sweden	20.7	49.4	5.4	3.9	20.6	20.4	46.5	6.1	3.6	23.4
Switzerland	9.1	50.8	7.3	3.6	29.2	8.9	48.7	7.8	3.2	31.4
EFTA	15.3	53.0	4.9	6.6	20.2	14.8	50.6	5.4	7.2	22.0

Source: 1980 OECD Series A, January 1982; 1981 National Statistics

*January - November for Portugal

EFTA trade with the USA

The USA is EFTA's most important trade partner outside the European Communities. The EFTA countries import from the United States more than twice as much as from Japan. EFTA exports to the USA are more than three and a half times as high as those to Japan.

During the 1970s EFTA imports from the United States expanded somewhat faster than EFTA total imports, whereas exports to the USA grew less than EFTA's total exports. As a result the share of the USA in EFTA imports rose from 6.2 per cent in 1972 to 6.6 per cent in 1980 while the share of exports to the USA in EFTA exports fell from 7.3 to 4.9 per cent.

Manufactured goods account for nearly three-quarters of EFTA imports from the USA. But they only contributed about two-thirds to the growth of the EFTA countries' imports from the USA between 1972 and 1978. Imports of food grew considerably faster than those of manufactures, mainly because of a sharp increase in food imports into Portugal.

During 1979 and 1980 EFTA imports from the USA accelerated, while the growth of exports slowed markedly, especially in 1980. As a result the EFTA trade deficit with the USA increased from \$1 billion in 1978 to \$3.4 billion in 1980. This is largely

explained by the buoyant domestic demand in the EFTA countries particularly in 1980 when GDP growth in EFTA considerably exceeded that of the OECD as a whole.

EFTA COUNTRIES' TRADE WITH THE UNITED STATES

	<u>Million US dollars</u>					<u>Annual percentage change</u>			
	<u>1972</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1972</u> <u>1978</u>	<u>1978</u> <u>1979</u>	<u>1979</u> <u>1980</u>	<u>1980</u> <u>1981</u>
<u>Imports c.i.f.</u>									
Austria	168.8	486.6	642.7	820.2	857.8	19.3	32.1	27.6	4.6
Finland	141.7	395.7	574.8	907.8	1,061.2	18.7	45.3	57.9	16.9
Iceland	18.7	47.9	53.8	93.9	62.4	17.0	12.3	74.5	-33.5
Norway	270.3	775.9	987.2	1,357.8	1,440.9	19.2	27.2	37.5	6.1
Portugal	197.9	616.9	764.1	1,016.6	1,025.5*	20.9	23.9	33.0	10.5*
Sweden	582.5	1,506.7	2,076.3	2,435.8	2,372.6	17.2	37.8	17.3	-2.6
Switzerland	584.9	1,786.4	1,837.9	2,458.2	2,279.1	20.5	2.9	33.8	-7.3
EFTA	1,964.8	5,616.1	6,936.8	9,090.3	9,099.5	19.1	23.5	31.0	0.1
<u>Exports f.o.b.</u>									
Austria	175.7	365.6	393.7	378.8	408.8	13.0	7.7	-3.8	7.9
Finland	142.2	338.0	476.3	447.5	516.8	15.5	40.9	-6.0	15.5
Iceland	58.7	187.7	221.4	200.5	188.4	21.4	18.0	-9.4	-6.0
Norway	236.7	538.3	544.7	552.5	674.0	14.7	1.2	1.4	22.0
Portugal	138.8	170.0	199.9	264.3	187.4*	3.4	17.6	32.2	-22.3*
Sweden	621.1	1,377.8	1,639.1	1,658.9	1,742.7	14.2	19.0	1.2	5.1
Switzerland	605.3	1,692.3	1,818.9	2,150.9	2,102.7	18.7	7.5	18.3	-2.2
EFTA	1,978.5	4,669.7	5,294.0	5,653.4	5,820.8	15.4	13.4	6.8	3.0

Sources: 1972 - 1980 OECD Ser. A; 1981 National Statistics

* January - November for Portugal

In 1981 EFTA exports to the USA continued to expand in dollar terms, while EFTA's total imports and exports declined with the downswing in demand. The further value growth in EFTA/US trade was caused by the sharp appreciation of the dollar. On the other hand, the appreciation of the dollar together with a weaker relative cyclical position of the EFTA countries resulted in a slight reduction (to nearly \$3.2 billion) in EFTA's trade deficit with the USA.

Romania joins Pharmaceutical Inspection Convention in May

Romania will join the Pharmaceutical Inspection Convention (PIC) in May. It will be the thirteenth country to do so and the second from Eastern Europe: Hungary has been a member since 1976. All the EFTA countries, including Liechtenstein, are members as well as Denmark, Ireland and the United Kingdom. The Federal Republic of Germany is expected to accede to the Convention in the near future.

The Convention was signed in 1970 and came into force the following year. Its main purpose is to ensure the mutual recognition of inspections relating to the manufacture of pharmaceutical products aimed at facilitating international trade in these products while at the same time protecting public health through the efficient control of manufacturing standards. Important

aspects of the Convention are the training of inspectors and the work undertaken in cooperation with the contracting states for the wider application of high standards of manufacturing.

A working group was recently set up under the Convention to draft guidelines for packaging and labelling of pharmaceutical products, clearly an extremely important area both for those handling pharmaceutical products as well as the buying public.

This month the Convention secretariat, serviced by EFTA, is issuing a booklet on a recent seminar in Budapest. Entitled "Application of GMP rules in the control laboratory" it draws on expertise both from Hungary and other member countries. Individual copies are obtainable free of charge from the EFTA Secretariat.

EC's 25th Anniversary

EFTA Secretary-General, Mr. Per Kleppe, sent the following letter to Mr. Gaston Thorn, President of the Commission of the European Communities :

"Sir,

On the occasion of the 25th Anniversary of the signing of the Treaties of Rome, I wish to convey to you my warmest congratulations and to extend my best wishes for your important task of pursuing the Community's objectives.

Inspired by the same wish of contributing to the construction of Europe by means of a steady expansion of economic activity, fair competition and free trade, the Community and EFTA can be proud of their achievements. The European free trade system established between our seventeen countries is an outstanding example of the results of our combined efforts. The Community and EFTA are today each other's biggest trading partners. The interdependence in Europe is further strengthened by the number of agreements, co-operation programmes and other links that have emerged over the past decades.

The informal contacts between the services of the Commission and the EFTA Secretariat also constitute a valuable reflection of the positive and friendly spirit prevailing in EFTA-Community relations. We appreciate very much this co-operation, which I am confident will prove as fruitful in the future as it has been in the past.

Please accept, Sir, the assurance of my high consideration."

Mr. Faustenhammer takes over as Deputy Secretary-General of EFTA

Mr. Norbert Anton Faustenhammer of Austria will take over as Deputy Secretary-General of EFTA on 1st April. A Doctor of Law from the University of Vienna, Mr. Faustenhammer, 44, has been involved with EFTA matters since 1965. In 1974 he became Deputy Head of the Austrian Permanent Delegation in Geneva and has since then taken part in practically all EFTA activities. He holds the rank of Minister.

Mr. Faustenhammer replaces Mr. Magnus Vahlquist who served as Deputy Secretary-General since 1978 and became Acting Secretary-General in the latter part of 1981 prior to the arrival of Mr. Per Kleppe.

Mr. Vahlquist, who has been working with EFTA for more than nine years, is returning to the Swedish Foreign Service. Before becoming Deputy Secretary-General he served at the Permanent Swedish Delegation in Geneva and from 1976 as Director of the Secretary-General's office.

FORTHCOMING MEETINGS

April 1982

- 26 EFTA Industrial Development Fund for Portugal: Steering Committee
- 27 Gas Appliances Scheme: Participating Approval Bodies
- 27 - 31 Committee of Origin and Customs Experts

May 1982

- 4 - 5 Committee of Members of Parliament of the EFTA countries (Basle)
- 11 - 12 Pharmaceutical Inspection Convention (PIC): Working Group on Packaging and Labelling
- 13 PIC - Committee of Officials
- 18 - 19 Committee on Pharmaceutical Evaluation Reports (PER) (Vienna)
- 27 Pressure Vessels Scheme: Participating Authorities
- 27 - 28 Bilateral Customs Committees (Brussels)

June 1982

- 3 Consultative Committee meeting with Ministers (Helsinki)
- 4 EFTA Councils: ministerial meeting (Helsinki)

All meetings take place in Geneva unless otherwise indicated
Meetings of the Councils are not listed; they usually take place once a fortnight.

