

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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## EUROPEAN FREE TRADE ASSOCIATION

### Press Release and Draft Plan Submitted by the Seven Governments

#### Addendum

The press release and the draft plan for a European Free Trade Association which were referred to in document L/1028 are circulated herewith at the request of the seven governments for the information of contracting parties. An advance distribution of the English texts was made on 14 August to the local representative liaison officer of each contracting party.

#### Press Release

### From the Meeting of the Seven in Saltsjöbaden 20-21 July 1959

Ministers from Austria, Denmark, Norway, Portugal, Sweden, Switzerland and the United Kingdom met at Stockholm on 20 and 21 July 1959, under the chairmanship of Mr. Lange.

The following Ministers took part:

|           |   |
|-----------|---|
| Austria:  | Mr. B. Kreisky, Minister for Foreign Affairs<br>Mr. F. Bock, Minister of Commerce and Reconstruction                  |
| Denmark:  | Mr. J.O. Krag, Minister for Foreign Affairs<br>Mr. B. Dahlgaard, Minister of Economic Affairs and<br>Nordic Relations |
| Norway:   | Mr. A. Skaug, Minister of Commerce<br>Mr. T.M. Bratteli, Minister of Finance  |
| Portugal: | Mr. J.G. Correia de Oliveira, Minister of Commerce  |
| Sweden:   | Mr. G. Lange, Minister of Commerce<br>Mr. G. Netzén, Minister of Agriculture  |

Switzerland: Mr. M. Petitpierre, Federal Councillor,  
Head of the Federal Political  
Department

Mr. T. Hohenstein, Federal Councillor,  
Head of the Federal Department of  
Public Economy

United Kingdom: Rt. Hon. D. Heathcoat Amory, Chancellor of the  
Exchequer

Rt. Hon. R. Maulding, Paymaster General

Ministers decided to recommend to their Governments that a European Free Trade Association among the seven countries should be established. The object of this Association would be to strengthen the economies of its members by promoting expansion of economic activity, full employment, a rising standard of living and financial stability.

Ministers affirmed that in establishing a European Free Trade Association it would be their purpose to facilitate early negotiations both with the European Economic Community and also with the other members of the OEEC who have particular problems calling for special solutions. These negotiations would have as their object to remove trade barriers and establish a multilateral association embracing all members of the OEEC. Governments would thus be able to reinforce European economic co-operation with the OEEC and to promote the expansion of world trade.

Ministers approved the draft plan for a European Free Trade Association, which they decided should be published, and instructed officials to draft a convention, using the draft plan as a basis in the light of discussions at the Ministerial meeting and to present a text for submission to Ministers by 31 October 1959.

They also decided that the senior officials who would be engaged in drafting the convention should be constituted as an official committee to advise governments on questions regarding other countries arising out of the establishment of the Free Trade Association and in particular to study the problem of future negotiations for a wider association.

In order to facilitate relations with the European Economic Community all governments represented at this meeting have expressed their wish to accredit representatives to the Community. Denmark has already taken that action.

In respect of industrial products the plan includes rules for the abolition of tariffs and quantitative restrictions, for ensuring fair competition and for identifying the goods which would move freely between the members. The immediate objective is to reduce tariffs by 20 per cent on 1 July 1960.

Ministers decided that there should be a special agreement on agriculture. This would set out agreed objectives of agricultural and food policy, would provide where appropriate for consultation and would be designed to facilitate expansion of trade between members, having regard to the need to achieve a sufficient degree of reciprocity between them. Ministers noted that in order to achieve the desired reciprocity bilateral arrangements had already been concluded between certain member countries, and that other such arrangements were in prospect.

Fish and other marine products would be treated as an independent problem separately from agriculture. Proposals for a special agreement to achieve freer and increased trade in these products were made and these will be given careful consideration. There will be further discussion of this problem between Governments.

Ministers decided that the institutional arrangements should be as simple as possible. The governing body will be a Council of Ministers. All decisions involving new obligations will be taken by unanimity; provisions for majority decisions in certain defined cases not involving new obligations are envisaged.

During the meeting Mr. Krag, Foreign Minister of Denmark, made the following statement on behalf of the Danish, Norwegian and Swedish delegations with reference to the negotiations for a Common Nordic Market:

"The negotiations for a Common Nordic Market, to which Finland is also a party, are already in an advanced stage. There will be questions arising out of the relationship between the Nordic Market and the Free Trade Association to which we will have to revert.

"The negotiations between the Nordic countries have resulted in a draft plan on Nordic economic co-operation including a Nordic Common Market. This plan was submitted to Ministerial delegations of Denmark, Finland, Norway and Sweden which met at Kungälv on 11 and 12 July. The delegations were of the opinion that the plans for Nordic economic co-operation ought to be adapted to the proposed European Free Trade Association between the seven countries. The Nordic countries are determined to continue their work on economic co-operation between them and its adjustment to the new circumstances.

"The Nordic delegations will keep the other countries informed on the further development of their plans for economic co-operation. They will be prepared to discuss with the other members of the Free Trade Association any problems of mutual interest arising out of their plans."

Ministers invited Mr. Lange to inform OEEC and the Executive Secretary of the GATT on their behalf of their recommendation to establish a European Free Trade Association.

In view of Finnish membership of the Nordic Group and the Group's plan for Nordic Economic Co-operation, the Finnish Minister for Trade and Industry, Mr. Karjalainen, was invited to make a statement to the Conference explaining the attitude of the Finnish Government to the plan for a Free Trade Association.

Mr. Karjalainen referred to Finland's participation in the Nordic plans for close economic co-operation and also drew attention to the economic interest and significance for Finland of the Free Trade Association plan.

He pointed out, however, that Finland would only in this connexion make agreements on tariffs and trade in a way consistent with her declared foreign policy based on existing international agreements and with her traditional trade relations, including trade based on bilateral agreements.

As the Government of Finland had not had the opportunity of following the discussions about the Free Trade Association plan, and as the Finnish legislative State Organs had not considered the matter, Mr. Karjalainen stated, that it was not possible at the present stage to define the final attitude of Finland. His Government hoped to be provided with facilities to follow further discussions on the Free Trade Association plan more closely.

Ministers of the seven countries took note of the Finnish statement and agreed that Finland, as a member of the Nordic Group, should be afforded such facilities.

Draft Plan for a European Free Trade Association  
(EFTA)

(The present draft plan is, subject to a few minor changes, the draft submitted by officials on 13 June and approved by ministers on 21 July 1959.)

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I. RULES FOR THE FREELING OF TRADE

Tariffs Elimination of tariffs

1. Members shall progressively abolish existing tariffs on imported goods originating in the area of the EFTA.

2. This progressive abolition shall be effected as follows:

(i) A reduction of 20 per cent shall be made on 1 July 1960:

(ii) The process of elimination shall be completed not later than 1 January 1970 in accordance with the following schedule:

|        |             |
|--------|-------------|
| 1.1.62 | 10 per cent |
| 1.7.63 | 10 per cent |
| 1.1.65 | 10 per cent |
| 1.1.66 | 10 per cent |
| 1.1.67 | 10 per cent |
| 1.1.68 | 10 per cent |
| 1.1.69 | 10 per cent |
| 1.1.70 | 10 per cent |

3. Any member may reduce its tariffs more rapidly than provided above if its economic and financial position and the position of the sector concerned so permit.

4. Members shall during the period 1 July 1960 to 31 December 1961 examine whether it would be possible to shorten the period within which the process of elimination should be completed in respect of some or all goods by some or all of the members.

Revenue duties

5. Members are agreed that each member should remain free to maintain its own fiscal system. But revenue duties or similar taxes and charges levied on imported products, if not accompanied by effectively equivalent taxes on domestic production, where that exists, are a most effective means of protection. Members are therefore agreed that, in respect of all goods which will benefit from area treatment and on which revenue duties or similar taxes or charges are levied, appropriate measures must be taken to eliminate or compensate for any effective protective element in such duties, taxes or charges.

Base date

6. The base date for determining the tariff rates, which are to be progressively reduced during the transitional period, should be 1 January 1960.

7. The question arises whether the tariff to be selected for this purpose should be the legal or the applied tariff.

8. A possible solution might be to adopt the applied tariff while recognizing that, for particular products, countries may have legitimate reasons for departing from the general rule. If that solution were adopted, an integral feature of it would be the procedure for handling the exceptions.

Drawback

9. Members are agreed that the proper functioning of the convention calls for the effective abolition, within the area, of drawback in respect of duties on materials or components in goods which benefit from area treatment. This process of abolition should take place during the transitional period. Drawback in respect of revenue duties would not be covered by this provision.

10. In view of the recognized complexity of the problem it was agreed to defer a definite decision until expert advice had been received with regard to the best way to achieve the above objective in practice. The system for the effective abolition of drawback should above all not be administratively complicated.

The Portuguese delegation stated that the structure of their country's economy would justify some special arrangements in certain respects in the matter of tariffs. It was recognized that this problem required further study.

Quantitative 11. It was agreed as a point of departure that members would not go back on the level of liberalization of 1 January 1960. restrictions on imports. Secondly, it was agreed that by the end of the transitional period all quantitative import restrictions on trade between members must be abolished. Moreover the minimum obligation must provide for the progressive dismantling of quotas throughout the transitional period, in order to ensure both that the advantages which may be expected to flow from successive tariff reductions be not frustrated and that no burdensome problems be created for the final years of the transitional period.

12. All members have international obligations regarding use of quantitative restrictions and it is not the intention of members, in forming the Association, to modify these in any way. In particular, it is no part of their intention to use quantitative restrictions to create a preferential system between the members.

13. In order to achieve these objectives, the convention should therefore include the following obligations:

- (a) To abolish all quotas on trade between members at the latest by the end of the transitional period.
- (b) To arrange that each quota open only to other members shall be increased annually by at least 20 per cent.

- (c) To arrange that quotas open not only to other members but also to third countries shall be increased annually by not less than 20 per cent of the trade actually attributable to other members.
- (d) If in respect of any particular commodity a member has not hitherto created any quota, or when the quota is so small that the 20 per cent annual increase is not likely of itself to lead to the abolition of that quota by the end of the transitional period, to create on 1 July 1960 a quota or quotas of an appropriate size. It will be necessary when the time comes to draft the convention to determine whether there should be general rules prescribing the initial size of such quotas or whether it should be left to members to take action themselves, subject to a right of other members to satisfy themselves of its adequacy.
- (e) There will be cases where a member will be unable to accept the obligations in (b), (c) and (d) above, because of international considerations.

In addition, in the exceptional cases where serious difficulties can be foreseen within the Association, it will be necessary to negotiate appropriate arrangements, if possible before the signature of the convention. Any such arrangements must be designed to abolish the quota by the end of the transitional period, must not frustrate a reasonable rate of expansion of trade resulting from the progressive reduction of tariffs, and must not create burdensome problems toward the end of the transitional period.

It will be necessary to work out what procedure for dealing with such cases should be included in the convention.

- (f) The enlarged quotas established in accordance with (b), (c) and (e) shall be instituted on 1 July 1960 and the increase shall be in relation to quotas existing on 31 December 1959.

14. In view of the possibility that most members of GATT will, in the execution of their international obligations, be in process of abolishing quantitative restrictions generally on a large proportion of all imports during the next ten years, the members will re-examine, before 31 December 1961 and at regular intervals thereafter, the appropriateness of the rules for the dismantling of quotas and whether the actual developments since the entry into force of the convention ensure that these rules are leading effectively to the abolition of all quantitative restrictions at the end of the transitional period.

Escape clauses Balance-of-payments difficulties

15. If a member's overall balance-of-payments situation deteriorates rapidly thereby creating a serious situation, that member may take defensive measures in accordance with its existing international obligations. The measures shall not discriminate as between members, neither shall members be less favourably treated than third countries.

16. A member instituting such defensive measures should notify other members in order to allow for an early examination by the institutions, if possible before the proposed measures enter into force. During this examination the institutions can make appropriate recommendations to attenuate the effects of the defensive measures or to assist the country concerned to overcome its difficulties.

17. Since all members also belong to other international organizations having competence to control the use of defensive measures instituted for balance-of-payments reasons, no special rules nor detailed institutional arrangements within the Association appear to be necessary in the convention.

18. Nevertheless such defensive measures if maintained for any considerable period could seriously disturb the operation of the Association. The institutions should therefore keep the application of these measures under examination. It may also be necessary, in the light of experience, to devise special procedures to attenuate or compensate for the effect of such measures.

#### Difficulties in special sectors

19. If a member experiences difficulties in a particular sector of industry or a particular region, and there is an appreciable rise in unemployment in that sector or region resulting from a spectacular decrease in internal demand for the domestic product because of imports from other members, the member concerned shall be able to take certain protective measures. Any such measures shall be applied non-discriminatorily to all members, and members should not be treated less favourably than third countries.

20. In these circumstances a member may limit such imports from other members by establishing a quota at least equivalent to the rate of imports from other members during a recent normal period. Such a quota may not be maintained for longer than eighteen months, unless the Council so approves. Normally, such approval by the Council should provide for an expansion of the quota.

21. A member invoking this clause should notify other members in order to allow for an early and full examination by the institutions, if possible before the proposed measures enter into force. The institutions should examine whether the measures are justified and be able to make appropriate recommendations to attenuate the effect of the protective measures or to assist the country concerned to overcome its difficulties.

22. At the request of a member the Council may authorize it to take other action, either in replacement of or in addition to such limitation of imports by quota.

23. If a member considers that the agreed rate of tariff reduction after the initial reduction of 20 per cent would provoke disturbances of the kind described in paragraph 19 above, and that a slower rate of reduction - though

still providing for the total abolition of tariffs by the end of the transitional period - would permit a more orderly adaptation of the industry or region in question, it may propose such a slower rate, and if the Council is satisfied that such modification is justified, it may authorize it.

24. The provisions in paragraphs 19 - 22 shall be valid only during the transitional period. Before the end of that period members shall consider whether similar arrangements will be needed thereafter.

Origin 25. The scheme for determining the origin of goods within the area should be elaborated on the basis of the following principles:

- (a) A percentage criterion of value added within the area. The percentage qualification should be 50 per cent, based on the f.o.b. or free at frontier price. Coupled with the percentage qualification should be a basic materials list. The materials included in the list would be regarded as of area origin irrespective of their actual origin when calculating the percentage of area content in goods.

In regard to the origin problem the Danish delegation reserved its position as to the acceptance of 50 per cent as the general percentage rule, as long as there were no firm undertakings as to the scope of the basic materials and process lists, as well as to the extent to which a more liberal percentage figure than 50 could be agreed upon.

- (b) A process criterion. A list of qualifying processes should be drawn up. Goods would qualify for area treatment if it could be shown that one of the processes included in the agreed list had been performed within the area.

26. The exporter should have the option of deciding under which criterion **area** treatment will be claimed. The choice will arise in all cases where a process qualification is available in addition to the percentage criterion.

27. There is only one sector in which it is thought that more restrictive rules than are enumerated in paragraphs 25 and 26 may be unavoidable; this is the textile sector. Suitable arrangements will have to be worked out in order to deal with this problem.

28. Members should confirm their intention to make the origin rules more liberal wherever possible. The procedure, which would involve general agreement, would be as in sub-paragraphs 3(b) to (d) below. There is, however, nothing to prevent an individual member from operating more liberal rules, if it so wishes.

29. Members should undertake not to take any action, the principal effect of which is to cause deflection of trade ("code of good conduct").

30. If serious deflection of trade arises out of differences in external tariffs, members should discuss the problem sympathetically with a view to finding a satisfactory solution. To this end provision should be made for a complaints procedure. As an outcome of this procedure recommendations may be addressed to members with a view to remedying the cause of deflection.

31. A group of experts should undertake the following work, designed to give effect to the points in the preceding paragraphs:

- (a) Draw up the general provisions for the definition, certification and verification of the origin of goods. The group should take as a basis the OEEC document FTA/WP(58)32. They should take any opportunity that offers itself to simplify these proposals.
- (b) Define the sectors or groups of products for which it would be appropriate to have more liberal origin rules than the 50 per cent criterion. Action under (c) and (d) below would contribute to this result.
- (c) Work out a basic materials list. In working out this list, account shall be taken not only of the pattern of imports of the area as a whole but also that of individual members which do not have sufficient resources of basic materials. The practical task of working out this list should be based on the proposals already made in OEEC document FTA/WP4(58)10, taking into account the above considerations.
- (d) Elaborate lists of processes which would entitle goods to area treatment. As a starting point the groups should use a compilation of process proposals made for the discussions in the OEEC.
- (e) Work out a procedure for dealing with deflections of trade as they arise and rules for giving effect to the principle set out in paragraph 29 above.

32. The experts should submit a first report by 1 October 1959. This should cover all points which will have to be included in the convention and should also be such as to give governments the clearest possible idea of the general effect of the origin rules. It is, however, recognized that all work outlined in paragraph 31 above cannot be completed within this time-limit. While it should be practicable to arrive at an extensive basic materials list by 1 October 1959 there will certainly be further materials which members could agree to add later on. It should also be possible to agree on a number of processes by 1 October, but much of that work will have to take place later on. The experts should work continuously on the outstanding points with a view to having as satisfactory and comprehensive a scheme as possible available by 1 March 1960. Though this order of procedure will leave most of the work on process rules to the last, it should not be thought that these are regarded as less important. On the contrary, it is agreed that process rules will have great advantages in terms of simplicity of operation.

33. Members agree that before the origin rules take effect they should consider to what extent the full operation of the origin rules might in any particular instances have an unduly restrictive effect on trade within the area during the early years of the convention.

## II. RULES OF COMPETITION

General 34. It was agreed that measures should not be taken or maintained in remarks a member country which are designed to frustrate the benefits other members could expect to receive from the progressive elimination of tariffs and other obstacles to trade, and in particular that there should be provisions on the subjects mentioned in the following paragraphs. It may also happen that measures might be taken in a member country, which are not explicitly prohibited but which have incidental damaging effects on other members.

35. It will be essential, therefore, to provide for recourse to a complaints procedure, the objective of which would be to provide means whereby any member can complain of, and where appropriate, secure redress against, or compensate for, practices by another member, or by private firms in another member country, which frustrate, or threaten to frustrate, the benefits which could be expected.

Government 36. It was agreed that government assistance to industry which aids distorts or threatens to distort competition within the area is incompatible with the convention.

Governments should not give assistance of the following kinds:

- (i) Measures resulting in aids to exports to members of the area, in particular those which are listed in the annex to OEEC document C(58)271 Final.
- (ii) Any other form of aid the main objectives or effect of which is to grant protection to national industries against imports from other members.

37. It may be that circumstances arising outside the area, and affecting the trade or economic situation of a member, seem to that member to call for some form of government assistance to an industry in relation to trade outside the area. As such assistance may incidentally have some adverse effects on trade within the area, it will be necessary to consider what forms of action by the institutions might be appropriate in order to remedy or compensate for any adverse effects on the trade of members concerned.

Quantitative 38. Members should not impose on trade with other members restrictions quantitative restrictions on exports or export duties, and on exports should remove existing restrictions and duties at an early and export date during the transitional period. It is recognized, however, duties that exceptions from that rule for non-commercial reasons (including, for example, military, strategic and health reasons) should be permissible.

39. If members were to maintain or reintroduce export restrictions for other reasons than those mentioned above, one possible effect might be to produce problems of disparity between members in regard to equality of access to basic materials. This might create difficulties for some members in the sectors of trade affected, and they would then feel justified in taking compensating or defensive action.

40. The problems which arise in this connection require further study, in relation to both the precise content of the obligations to be undertaken and the procedures to be followed in cases of difficulty.

Restrictive trade practices in the private sector 41. The substance of the rules worked out during the negotiations in OEEC is acceptable. They contain a recognition that restrictive business practices are incompatible with a free trade area insofar as they may frustrate the benefits expected from the removal or absence of tariffs and quantitative restrictions on imports or exports or otherwise frustrate the objective of the Association. Members believing their interests to be damaged by such infringements will have the right to appeal to the institutions which shall take appropriate steps with a view to solving the problems. If no solution is found the member suffering the damage may take protective measures. A speedy procedure for the handling of such cases will have to be worked out in detail.

Provision should be made for reviewing the rules in light of the experience gained.

Public undertakings and State monopolies 42. Members should during the transitional period progressively cease to use public undertakings and commercial State monopolies as an instrument of protection and trade discrimination on grounds of nationality and the rules of competition should also apply to them. In this respect public undertakings should be treated in the same way as private enterprises.

43. Any member adversely affected by the practices of any other member in this field would have the right of recourse to the complaints procedure.

Dumping 44. Members should be permitted to apply against each other the anti-dumping rules as defined by other international obligations. Members should continue to co-operate in the work which is in progress for the improvement of these rules. The convention should also contain a provision allowing members, in case of dumping, to re-export freely a product to the member country from which the product has been shipped or in which it originated.

45. Members should consult to examine the possibility of anti-dumping action against third countries at the request of any member whose exports to the area are adversely affected by such dumping.

Freedom of establishment 46. Members should not use restrictions in regard to freedom of establishment in such a way as to give to the nationals of other member countries less favourable treatment than that accorded to their own nationals and thereby frustrate the benefits expected from the removal or absence of tariffs and quantitative restrictions or otherwise frustrate the objectives of the Association.

47. The precise content of the obligations to be undertaken in this field, the question of the circumstances in which members might maintain restrictions or justify derogations, the method by which the objectives can be achieved, and the procedure to be followed in cases of difficulty resulting from the maintenance of restrictions, call for more detailed examination.

### III. COVERAGE

48. The rules relating to freeing of trade and competition in the preceding sections cover all products which are not defined subsequently as agricultural products, fish or other marine products.

### IV. AGRICULTURE

49. Members are agreed that there should be a special agreement on agriculture designed to facilitate expansion of trade between members, having regard both to the question of agricultural policies and to the need to achieve a sufficient degree of reciprocity between them.

50. Upon the request of any member bilateral discussions should take place as soon as possible between members regarding trade in specific agricultural products of importance to exporting countries and report should be made to ministers.

51. The Danish delegation drew attention to a number of general considerations and principles which it would wish to be applied in the course of the further discussions. A copy of their statement is attached as Annex I. The other delegations took note of the statement to which they would give careful consideration.

52. As agricultural products should be considered those enumerated in Annex II of the Treaty of Rome, subject to any amendments that may be agreed upon during the negotiations for the convention. There should also be provisions for deleting from, or in special cases adding to, the list within one year of the entry into force of the convention.

### V. FISH AND OTHER MARINE PRODUCTS

53. Members are agreed that within the association fish and other marine products should be dealt with as an independent problem separate from agricultural products. The Norwegian delegation submitted a proposal

for a special agreement on these products. The proposal contained the main principles for inclusion in the agreement (see Annex II paragraph 2). The other delegations undertook to give careful consideration to this proposal. The United Kingdom delegation pointed out that they could not contemplate commitments which involved the removal of the tariff on such items in this category as were not to be treated as industrial products.

54. The Norwegian delegation further proposed that industrially processed goods from fish and other marine raw materials should be given the same treatment as ordinary industrial goods. The agreement on fish referred to above should provide for the following products being given this status:

- ex 03.01 Frozen fillets
- ex 03.03 Frozen crustaceans and molluscs
- 16.04 Prepared or preserved fish
- 16.05 Crustaceans and molluscs, prepared or preserved

It also proposed that the following fish or other marine products should be regarded as ordinary industrial goods:

- 15.04 Fats and oils of fish and marine mammals, whether or not refined
- ex 15.12 Fats and oils of marine animals hydrogenated, whether or not refined, but not further prepared
- ex 23.01 Flours of fish, crustaceans, and molluscs

55. The United Kingdom delegation was not prepared to agree to an industrial classification for two of the above items, namely frozen fillets (ex.03.01) and frozen crustaceans and molluscs (ex.03.03). It undertook to give sympathetic consideration to the remaining items on the list provided acceptable arrangements were reached in regard to the Norwegian proposal in paragraph 53 above.

56. The Austrian, Danish, Portuguese, Swedish and Swiss delegations were in agreement with the Norwegian delegation as to the proposal in paragraph 54 above. These six delegations were also agreed that as far as the items 15.04 and ex.15.12 were concerned, the special regulatory measures applied to fat products included in the agricultural sector and in accordance with any provisions that may be agreed upon for them, should also be permitted for these items, provided that a non-discriminatory treatment between different fat products is granted and that no protection to the manufacturing industries is given by means of tariffs, quotas etc. Any such element of protection in existence should be abolished in accordance with the rules for elimination of restrictions on industrial goods.

## VI. ECONOMIC AND FINANCIAL QUESTIONS

**Economic policy** 57. The convention should contain provisions to the effect that members will pursue an economic policy which should serve to promote in the area and in each member country a sustained expansion of economic activity, full employment, increased productivity and the rational use of resources, financial stability and continuous improvement in living standards.

58. Periodic meetings should be held to examine the current economic situation of members and to exchange views on the policies being pursued, with special reference to such co-ordination of policies as the objectives of the Association demand. Recommendations to members may be made by the Council. The consultations should be co-ordinated with the corresponding activities within the OEEC.

**Invisibles and capital movements** 59. It will be important for the proper functioning of the Association that current invisible transactions and capital movements between members can take place. For the time being, the rules and procedures agreed upon in the OEEC in this field seem to be sufficient.

60. With regard to capital movements, some delegations suggested that members might be in a better position to surmount difficulties which were a consequence of the Association if they could be given freer access to the capital markets of other members. It was agreed that the matter, although raising difficulties, merited study with a view to further discussions at a later stage.

## VII. INSTITUTIONS AND RELATED QUESTIONS

**Institutions** 61. The institutional arrangements should be as simple as possible. Decisions should be taken by a Council of Ministers. The Council could also meet at the level of Alternates. It has been found premature at this stage to make recommendations on the question of voting. The present draft plan has mainly been based on the principle of unanimity, but does not exclude the possibility of majority voting in certain cases to be laid down. These would include the application of escape clauses and complaints procedures.

62. There should also be a Board consisting of one representative from each member to deal with the application of the convention and make appropriate proposals and recommendations to the Council. The Board should also keep under review the operation of the convention and make such suggestions to the Council in commercial, economic and financial matters, as may be useful to ensure smooth administration and to intensify progressively co-operation between the members. The Board would also deal with complaints under the procedures established in the convention in each case where for technical reasons this task is not delegated to an ad hoc group of experts.

63. It should be considered later whether a permanent secretariat would be needed.

64. In the operation of the convention close contact should be maintained with the OEEC and methods of making the fullest possible use of the services of this Organization should be explored.

Membership 65. Membership of the Association shall be open to other countries ready to assume the obligations. Admission shall be by unanimous decision of the members.

General exceptions 66. There should be a general escape clause permitting exceptions from the rules for non-commercial reasons (for example health, public order, military and strategic reasons etc.).

Annex I

Danish proposal on agriculture

I. In order to achieve freer and increased trade in agricultural products each member country should undertake to adapt its import policies and internal support policies in such a way that quantitative restrictions, tariffs, State-trading, or other governmental regulations do not prevent other member countries from maintaining their traditional markets or from obtaining a fair increase in their share of the market.

Member countries are agreed to co-ordinate their agricultural policies to the extent necessary to achieve this objective. For this purpose they shall exchange all necessary information. In co-ordinating their policies the members shall draw advantage from the confrontation exercises carried out within the OEEC.

II. For agricultural products in which a member country has an export interest vis-à-vis the other members, provision should be made for:

- (a) Tariff concessions, which through agreement between the interested members may take the form of the abolition or the lowering of customs duties or the granting of tariff quotas with nil rates of duty.
- (b) Provisions in respect of quantitative restrictions, instituting a standstill on quantitative restrictions or measures with equivalent effect and, as agreed between the interested members, the abolition of quantitative restrictions or increases of import quotas.
- (c) Provisions governing the use of subsidies:
  - 1. Production subsidies
    - (i) Production subsidies should be subject to an effective confrontation procedure aiming at a gradual elimination of their harmful effects on trade.
    - (ii) Provision should also be made - through agreement between the interested members - for the gradual reduction of certain specific subsidies of particularly harmful effect to food exporting member countries.
  - 2. Export subsidies

Member countries should undertake not to apply direct or indirect subsidies in a manner which would result in an increase of exports compared with a previous representative period. Before the end of 1961 the Council should establish a programme for the abolition of subsidies that lead to exports.

III. Member countries should refrain from importing subsidized agricultural products from countries outside the area. It should be further studied whether a procedure should be instituted for dealing with special cases that might arise.

Annex II

Norwegian proposal for a special agreement on  
fish and other marine products

1. Of the commodities enumerated in Annex II of the Rome Treaty the following are of marine origin:

- 03.01 Fish, fresh (live or dead), chilled or frozen
- 03.02 Fish, salted, in brine, dried or smoked
- 03.03 Crustaceans and molluscs, whether in shell or not, fresh (live or dead), chilled, frozen, salted in brine or dried; crustaceans, in shell simply boiled in water
- 15.04 Fats and oils of fish and marine mammals, whether or not refined
- ex. 15.12 Fats and oils of marine origin, hydrogenated, whether or not refined, but not further prepared
- 16.04 Prepared or preserved fish including caviar and caviar substitute
- 16.05 Crustaceans and molluscs, prepared or preserved
- ex. 23.01 Flours and meals of fish, crustaceans and molluscs.

2. It is proposed that the following items:

- 03.01 Fish, fresh (live or dead), chilled or frozen (excluding frozen fillets)
- 03.02 Fish, salted in brine, dried or smoked
- 03.03 Crustaceans and molluscs, whether in shell or not, fresh (live or dead), chilled, salted, in brine or dried; crustaceans, in shell, simply boiled in water (excluding frozen crustaceans and molluscs)

should be dealt with in a special agreement on trade in fish based on the following principles:

- (a) Member countries undertake to achieve a freer and increased trade in fish, thus also extending to the fishing industry the benefits of international division of labour.
- (b) A multilateral scheme aiming at an abolition of existing trade restrictions such as import duties, quantitative restrictions etc., shall be worked out as soon as possible.

To the extent that the abolition of the trade restrictions should provoke serious economic or social disturbances in a member country, it may take protective measures of a temporary character. Such measures shall have no discriminatory effects in relation to the

other members. Before putting these measures in effect, the member country shall as far as practicably possible notify the Council which shall examine the consequences on the trade of other members. A member country applying such measures shall negotiate with other members which so request with a view to alleviating any material damage which the latter may suffer through these measures.

- (c) Subsidies or other forms for State aid should be subject to an effective confrontation procedure aiming at a gradual elimination of their harmful effects on trade.
- (d) Member countries shall participate in the confrontation exercises carried on within the OEEC and shall endeavour to create a policy in the field of fisheries in Europe taking into account the principles mentioned above.

3. As to the other products of fish and other products of marine origin mentioned in paragraph 1 above, reference is made to paragraph 56 in the chapter on fish and other marine products in the report.