

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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CONTRACTING PARTIES  
Nineteenth Session

## EUROPEAN FREE TRADE ASSOCIATION

### Information furnished by the Member States

(Statement to be delivered by Mr. E. Treu on 17 November 1961)

1. It will be recalled that the EFTA spokesman at the seventeenth session stated that the member States were prepared to give on a voluntary basis, from time to time, reports containing information which it was thought would be of general interest to contracting parties. EFTA has now been in existence for nearly two years and has been in full operation for fifteen months. It is therefore timely to give a report on what has been achieved and on what is being planned for the future. It is the hope and intention of the EFTA Council that, in giving this report, a further contribution will be made to the understanding by contracting parties of what the member States of EFTA are doing, not only among themselves, but also in their commercial relations with other countries. I would recall that one of the main objectives of the Association as set out in Article 2 of the Convention, is to contribute to the harmonious development and expansion of world trade. The integration which takes place should lead to a higher level of prosperity and a higher rate of growth than would otherwise be possible.

2. According to Article XXIV :7(a) any contracting party entering into a free trade area shall make available to the CONTRACTING PARTIES such information regarding the free trade area as will enable them to make such reports and recommendations as they may deem appropriate. As stated at the seventeenth session the member States of EFTA fully accept the obligation to furnish further information pursuant to this paragraph as the evolution of EFTA proceeded. As will be known an amendment was adopted by the Council of EFTA to the effect that the second reduction of the import duties between member States would be brought forward by a half year from 1 January 1962 to 1 July 1961. All other amendments made have been of minor importance. The amendments and implementation made since the EFTA Convention came into force on 3 May 1960, are listed in Appendix 2 of the first annual report of the Association for the period ending 1 July 1961 which has been distributed to the CONTRACTING PARTIES.

3. The Agreement creating an Association between the member States of EFTA and Finland will be considered by the CONTRACTING PARTIES under another item on the agenda on the basis of the report of the Working Party which, in July 1961, examined that Agreement. Drawn up in conformity with the provisions of Article XXIV, the Agreement accords with the objectives of the General Agreement, and I hope that the CONTRACTING PARTIES will consider it in the same spirit of understanding as did the Working Party.
4. Article 43 of the Convention provides that the Convention shall apply to certain territories if the member States which are responsible for their international relations so declare. As a result of a declaration by Denmark under this provision the Convention has been applied to Greenland from 1 July 1961.
5. Good progress was made in the first year of EFTA's existence towards the achievement of the Association's central economic objectives - the establishment of a free market in industrial goods among the member States and the expansion of trade in agricultural and fishery products.
6. In pursuance of this aim members reduced their duties on imports from each other of goods of EFTA origin falling within Article 3 of the Convention by 20 per cent on 1 July, 1960. The second round of tariff reductions, a further cut of 10 per cent, was made on 1 July this year.
7. In addition the protective elements in a number of revenue duties (i.e. customs duties applied primarily in order to raise revenue) were reduced by the equivalent of 20 per cent on 1 July 1960 followed by another 10 per cent cut on the same date a year later. This was in accordance with Article 6 of the Convention and under paragraph 3(b) of that Article member States have the choice of proceeding either by successive reductions corresponding to those agreed for tariffs generally or by a different timetable, provided in the latter case that no protective element remains in their revenue duties after 1 January 1965. The member States have, except Sweden and in certain cases Portugal and Switzerland, chosen the latter procedure. Denmark applies no revenue duties to which this provision applies. Information on the revenue duties in force in the member States was circulated to the contracting parties in document L/1167/Add.4.
8. Simultaneously with the two rounds of tariff reductions the remaining quantitative import restrictions were considerably relaxed. On each of these occasions, member States increased quotas by at least 20 per cent on a cumulative basis and in many instances by considerably more, and this not only towards each other but in most cases towards other contracting parties to the GATT as well. For instance, the quota increases which took effect on 1 July 1961 - amounting to more than \$30 million - represented a rate of increase about twice as great as the minimum rate of annual increase laid down in the Convention. The member States intend to pursue their policy of enlarging import quotas for contracting parties to GATT on a non-discriminatory basis.

Moreover, since the introduction of the enlarged quotas, imports of some of the goods affected have been completely liberalized. I am glad to say that trade to a value of more than \$13 million has been freed entirely from restrictions and plans for further liberalization by the end of 1961 have been announced.

9. The Convention requires the EFTA Council to decide what provisions as to drawback should be applied during the transition period. The Council has decided that, until the date on which import duties on trade between member States are reduced by 50 per cent or until 1 January 1964, whichever is the later, member States may not refuse Area tariff treatment to imported goods on the grounds that they benefit from drawback.

10. The EFTA countries are fully aware of their responsibility to co-operate in the task of raising the general level of the world economy. They fully share the view expressed by several international organizations that if countries in the process of development are to succeed in their struggle to create a more rapid improvement in the living conditions of their inhabitants, it is not enough that these countries get free access to the industrial markets for their basic materials. They must also have the possibility of exporting more and more of the manufactured goods in the production of which they have natural advantages. It is evident that if the developing countries are to succeed, the industrialized countries should be willing to take this into account when considering their trade policy.

11. In the last meeting of the GATT Council one representative called attention to paragraph 4 of the Article XXIV, which says that the CONTRACTING PARTIES "recognize that the purpose of a customs union or a free trade area should be to facilitate trade between the constituent territories and not to raise barriers to the trade of other contracting parties with such territories". He added that up-to-date information on this aspect would be valuable and might be included in the information to be furnished by the member States. The co-operation between the EFTA countries has not resulted in increased customs tariffs against third countries.

12. The creation of a single European Market embracing more than 300 million people, has from the beginning been one of the main objectives of EFTA as is indicated in the preamble of the Convention. Contracting parties are aware that some member States of EFTA have formally applied under Article 237 of the Treaty of Rome for membership of the EEC, and that all the member States of EFTA have declared their intention to examine with the EEC the ways and means by which all members of EFTA could take part together in a single market. Any agreements reached will, of course, be submitted to the CONTRACTING PARTIES in accordance with established procedures.

