

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Limited Distribution

EUROPEAN FREE TRADE ASSOCIATION AND FINLAND-EFTA ASSOCIATION

Information Furnished by Member States

Introduction

1. At its meeting on 14 November 1978 the GATT Council agreed on a timetable according to which the contracting parties members of a regional agreement were invited to submit a biennial report on developments under the agreement concerned. Accordingly, a report on the European Free Trade Association and the Finland-EFTA Association is submitted.

2. In October 1977 the member States of EFTA presented to GATT their report on the progress made in implementing the Stockholm Convention.¹ An outline of developments from that date to 30 June 1979 is given below. More detailed information can be found in the Eighteenth and Nineteenth Annual Reports* of the European Free Trade Association covering the periods from 1 July 1977 to 30 June 1978 and from 1 July 1978 to 30 June 1979 respectively, as well as in the publications "EFTA Trade 1976"* and "EFTA Trade 1977"* published in April 1978 and April 1979.

European Free Trade Association

3. EFTA's main schedule for tariff and quota dismantlement had been carried out by the end of 1966. Only two member States are still in a transitional period.

4. According to the timetable laid down in the Decision concerning the accession of Iceland to EFTA, Icelandic import duties on EFTA goods were reduced by 10 per cent on 1 January 1979, thus arriving at 10 per cent of the basic duties. Import duties on EFTA goods will be totally eliminated by 1 January 1980.

¹See L/4566

* Copies of these publications are distributed to all contracting parties.

5. In April 1979, the Councils authorized the Icelandic Government to apply until 8 July 1980 an import deposit scheme for certain kinds of furniture, the imports of which had increased rapidly, partly as a result of the gradual reduction in tariffs. The authorization was given under Article 20 of the Convention (difficulties in particular sectors). Also under Article 20, the Councils accepted in May 1979 an Icelandic request to introduce a temporary 3 per cent adjustment levy on a number of industrial products produced in Iceland. The request had been motivated with problems arising from the tariff dismantlement as well as structural and other internal economic problems. The levy may not be applied after 31 December 1980. Both the import deposit scheme and the levy are applied erga omnes.

6. Portugal has been allowed to prolong the period of tariff dismantlement beyond 1966 for a number of products according to specific timetables (contained in Annex G). The final reduction for three iron and steel products occurred on 1 July 1977. For products still subject to import duty the level of dismantlement is now at 20 or 30 per cent of the basic duties. The duties are to be eliminated by the end of 1984 at the latest. An amendment to Annex G went into force on 2 May 1978; it enabled the EFTA Council to authorize Portugal upon its request to apply import duties until 1 January 1985 on products manufactured in Portugal by industries in a particularly difficult economic situation.¹

7. The measures which the Portuguese Government introduced in November 1977 in order to reduce a growing balance-of-payments deficit remained in force throughout the period under review. The import surcharge of 30 per cent has been reduced to 20 per cent in October 1978 and to 10 per cent in May 1979. It is to be finally abolished in October 1979. The other measures in force at the end of June 1979 were a 60 per cent surcharge on some imports, and global import quotas for some consumer goods and for unassembled (CKD) cars for assembly in Portugal. The import deposit system which had been introduced in October 1976 was abolished on 31 December 1977. All the measures have been carefully examined in EFTA and the ones still in force are being kept under review.

8. The rules of origin applied in EFTA (Annex B to the Convention) - which are identical to those applied by each Member State and Finland under its Free Trade Agreements with the European Community - have been amended and supplemented by Decisions of the Council. These Decisions concern the implementation of the rules and administrative co-operation. The most important Decision, which superseded certain former Decisions of the Council, consisted of a new consolidated text for Annex B and of amendments to Lists A and B to that Annex as a consequence of the recommended amendments to the Customs Co-operation Council Nomenclature.²

¹Two copies of Decisions EFTA/DC 2/79 and EFTA/DC 5/79 are being sent to each contracting party (English only).

²Decisions EFTA/DC 12/77 (bilingual), EFTA/DC 11/78 (bilingual) and EFTA/DC 1/79 (English only) are being sent to each contracting party.

9. No new bilateral agricultural agreements have been concluded among EFTA countries.

10. The work done on the removal of technical obstacles to trade has been reviewed and possible ways of extending that work have been examined. The procedure for the advance notification of new or amended technical regulations of significance for intra-EFTA trade (the "INST" procedure), the four schemes in force for the reciprocal recognition of tests and inspections* carried out in respect of pressure vessels, ships' equipment, gas appliances and agricultural machines and tractors, as well as the Convention for the mutual recognition of inspections in respect of the manufacture of pharmaceutical products* and the Convention on the control and marking of articles of precious metals* have continued to function satisfactorily. Two new reciprocal recognition schemes entered into force on 1 January 1978; they concern lifting appliances* and heating equipment using liquid fuel.* A scheme concerning the mutual recognition of evaluation reports on pharmaceutical products entered into operation on 13 June 1979. Ireland became a new member of the Pharmaceutical Inspection Convention in December 1977. It should be noted that all these schemes and Conventions have been concluded outside the framework of the EFTA Convention. They provide the possibility for participation by other countries and most of them already include a number of countries which are not members of EFTA.

EFTA-Spain Agreement

11. An Agreement between the EFTA countries and Spain was signed on 26 June 1979. A separate notification concerning this Agreement will be submitted in due course.

Finland-EFTA Association

12. Finland has participated fully in all activities to which reference is made in the preceding paragraphs.

13. All the Decisions of the Council referred to in paragraphs 4 and 5 and annexed to this report have effect also in relations between the Member States of EFTA and Finland by virtue of corresponding Decisions adopted by the Finland-EFTA Joint Council.

14. With effect from 1 March 1979 Finland abolished the requirement that payment for a number of products should be made in cash before customs clearance.

* Texts have been sent to the GATT secretariat.