1. At its meeting on 11 June 1981 the GATT Council agreed on a time-table 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 1979 the member States of EFTA presented to GATT their report on the progress made in implementing the Stockholm Convention. An outline of developments from 1 July 1979 to 30 June 1981 is given below. More detailed information can be found in the twentieth and twenty-first Annual Reports* of the European Free Trade Association covering the periods from 1 July 1979 to 30 June 1980 and from 1 July 1980 to 30 June 1981 respectively, as well as in the publications "EFTA Trade 1978"* and "EFTA Trade 1979-80"* published in 1980 and 1981.

European Free Trade Association

3. EFTA's main schedule for tariff and quota dismantlement had been carried out by the end of 1966. Only one member State still maintains customs tariffs upon imports of a few products from the other EFTA countries (see paragraph 14 below).

4. According to the time-table laid down in the Decision concerning the accession of Iceland to EFTA, Icelandic import duties on EFTA goods were totally eliminated by 1 January 1980.

5. 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 surcharges have during the period under review been 10 per cent on a wide range of products and 60 per cent on the import of certain products. The global import quotas for some consumer goods and for unassembled (CKD) cars for assembly in Portugal are still in force. The measures have been carefully examined in EFTA and are being kept under review.

*Copies of these publications are distributed to all contracting parties.
6. 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 their Free Trade Agreements with the European Community - have been amended by Decisions of the Council. These Decisions concern the implementation of the rules and administrative co-operation. The most important Decisions, which superseded certain former Decisions of the Council, consisted of amendments to Lists A and B to Annex B, certain adaptations necessitated by the accession of Greece to the EC, a new definition of the term "customs value" as a consequence of the GATT Code on Customs Valuation, and a revised definition of the unit of account and increased value limits.

7. The work on the removal of the non-tariff barriers to trade has continued. Particular attention was given to the implications for EFTA of the Agreements on non-tariff measures that resulted from the multilateral trade negotiations in GATT. A preliminary comparison between these Agreements and the corresponding rules and practices in EFTA showed that the EFTA rules and practices are consistent with GATT. The Councils agreed in November 1979 that the guiding principle in relations between the EFTA countries would be to apply the rules that are the more liberal in the sense of promoting free trade or the more stringent in avoiding measures that would distort competition. At the same time two expert committees were requested to study the possible need for amendments to the EFTA rules or changes in its practice.

8. The Councils accepted the conclusion of the expert committees that it would be premature to amend the EFTA rules so long as there was little experience of the operation of the Agreements. As stated in paragraph 6 above the definition of "Customs value" in Annex B to the Convention was amended in December 1980 to say that the term should be understood in accordance with the new GATT Agreement.

1Decisions EFTA/DC 8/80 (bilingual), EFTA/DC 12/80 (bilingual), EFTA/DC 13/80 (bilingual), EFTA/DC 5/81 (English only) are being sent to each contracting party.
9. The internal procedure for the advance notification of new or amended technical regulations of significance for intra-EFTA trade (the "INST" procedure) has functioned rather satisfactorily and has continued to be applied in parallel to the new GATT procedure.

10. The seven schemes in force for the reciprocal recognition of tests and inspections carried out in respect of pressure vessels, ships' equipment, gas appliances, agricultural machines and tractors, lifting appliances, heating equipment using liquid fuel and that of the evaluation reports on pharmaceutical products 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 mostly functioned satisfactorily. 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.

11. In June 1980, the Council authorized the Icelandic Government to continue, until 31 December 1980, to apply an import deposit scheme for certain kinds of furniture. The authorization was given under Article 20 of the Convention (difficulties in particular sectors).

12. In accordance with the Council's decision in May 1979 the Icelandic temporary adjustment levy of 3 per cent under Article 20 on a number of industrial products produced in Iceland lapsed at the end of 1980.

13. In September 1980, the Council authorized the Icelandic Government to apply import levies of 40 per cent on confectionery and chocolates and of 32 per cent on biscuits for a period not longer than eighteen months. The authorization was given in accordance with the provisions of Article 20 of the Convention.

14. The final stage in the removal of Portuguese import duties on a large number of products was completed at the end of 1979 in accordance with the provisions of Annex G to the Convention. In December 1979 the Council, however, in response to a Portuguese request, authorized Portugal, in accordance with paragraph 6 bis of that Annex, to postpone to 31 December 1982 the elimination of the duties on some products and to postpone in respect of certain other products duty reductions due before that date.

15. In December 1979 the Councils furthermore authorized Portugal to introduce or increase duties on the products of certain infant industries in accordance with paragraph 6ter of Annex G to the Convention. In October 1980 duties were introduced for two such products. The maximum duty permitted was 20 per cent ad valorem. The duties were reduced by 5 per cent on 1 January 1981 and will be further reduced in two stages and finally abolished at the end of 1984.
16. Bilateral agricultural agreements have been concluded under Article 23 of the Convention between Sweden and Finland on 28 May 1980 and between Sweden and Norway on 4 December 1980.*

Finland-EFTA Association

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

18. All the Decisions of the Council referred to in 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.

EFTA Spain Agreement

19. The notification of the Agreement between the EFTA countries and Spain which entered into force on 1 May 1980 is contained in document L/4867. The conclusions of the Working Party examining the agreement which are contained in document L/5045 were adopted by the Council. A separate report on the functioning of that Agreement is due in April 1983.

*The Agreements have been ratified and entered into force on 31 and 19 August 1981 respectively. Copies are distributed to all contracting parties (English only).