Important progress has been achieved in recent years in the work on promoting freer international trade, and the successive elimination of obstacles to trade has improved the prospects for more far-reaching international division of labour. The improvement of financial conditions, to which the international co-operation within GATT, IMF and OEEC has largely contributed, has accelerated the development from bilateralism to a freer multilateral system in trade and payments.

This development made possible the concerted move towards external convertibility which was taken less than a year ago by a number of European countries. The effect of these measures on world trade should be far-reaching. As is rightly pointed out by the secretariat in its report the monetary justification for discrimination has to a large extent disappeared now since the bulk of world trade is being conducted on a convertible currency basis, and the moment is therefore opportune for a rapid move towards the full implementation of the provisions of the GATT on non-discrimination. A considerable part of remaining restrictions related to imports from the dollar area has already been eliminated as a consequence of the move towards convertibility, and further actions can be expected as confidence in the stability and duration of the improved dollar situation continues to grow.

Sweden has for its part gradually removed restrictions on goods originating in the dollar area. The latest step was taken in the middle of this month when Sweden liberalized almost the whole textile section which in view of the well-known difficulties of the textile industry demonstrates our firm intention to remove without undue delay the discriminatory import restrictions maintained for balance-of-payments reasons. Only a few items of minor importance for trade still remain and it is our hope to be able to liberalize also those items in the near future.

May I now turn for a moment to one of the main activities at present of the CONTRACTING PARTIES, namely the programme aimed at promoting an expansion of international trade.

Foreign trade plays an important role for Sweden's prosperity and the limitations of the domestic market and the high degree of industrialization naturally cause Sweden to strive for freedom, non-discrimination and multilateralism in international trade. For its own part Sweden has among the lowest tariffs in the world and maintains practically no import restrictions. We have therefore welcomed the new efforts to reduce tariffs on a world-wide basis which will take place in 1961. If the tariff conference will be a success depends, however, mainly on the great powers, because only if they are
prepared to open their markets world trade can flourish. Committee No.1 has
has done a good work to prepare the conference; only a few questions remain
open, but they are on the other hand of a complicated nature and involve problems
related to domestic policy. They have therefore to be tackled with great
cautions and with due regard to the practical difficulties which will arise if we
try to solve them in a theoretical way.

Already at the fourteenth session we had an opportunity to stress the
importance that the Swedish Government attach to the task of Committee III.
The growing imbalance in the trade between the industrialized and the less-
developed countries is clearly one of the gravest problems that world economy
faces today. The difficulties encountered by the less-developed nations in
this respect indicates the necessity of considering all possible means for a
rapid and sustained expansion of their export earnings.

The Committee is to be congratulated on its report that we now have before
us and its examination of the apparent main obstacles in the form of protective
tariffs, import restrictions, etc., to the trade of the less-developed countries.
We have noted with satisfaction that the Committee has been able to reach
unanimous agreement on most points, although, for obvious reasons, opinions have
differed on certain questions.

The Committee has itself pointed out that the examination of such obstacles
has not been exhaustive and that further study is required. In this connexion
it should be stressed that a reduction of existing tariffs and import regulations
of various kinds would not necessarily directly benefit the under-developed
countries and that such barriers do not always constitute the main cause of the
difficulties in maintaining exports. Questions of quality, over-production,
deficient marketing techniques and consumption habits, among others, are also
different that must be considered. We feel sure that all countries will be able
to make valuable contributions to solving such problems. We hope therefore,
that the Committee in continuing its work will see its task as a whole and take
all factors of the highly complex problem of raising the earning capacity of
the less-developed countries into consideration.

At a meeting in Stockholm on 21 July 1959, Ministers from Austria, Denmark,
Norway, Portugal, Sweden, Switzerland and the United Kingdom decided to recommend
to their Governments the establishment of a European Free Trade Association –
EFTA – between the seven countries.

The Executive Secretary was officially informed of this decision as well as
of the outline of the plan for the EFTA in a communication dated 27 July from the
Swedish Minister of Commerce, Mr. Lange, acting on behalf of the Ministers present
at the meeting in Stockholm.

Six of the seven Governments which are in the process of negotiating an
agreement for the formation of this new free trade area are parties to the
General Agreement and bound by the principles and the specific obligations
inherent in that Agreement.

The seventh Government, i.e. that of Portugal, is considering the question
of acceding to the General Agreement in connexion with its participation in the
EFTA.
The governments concerned are anxious to give the CONTRACTING PARTIES to the GATT the earliest and most complete account possible of their plans and schedule in order to enable the CONTRACTING PARTIES to make an adequate appraisal of their aims.

Taking into account the substantial interest the CONTRACTING PARTIES have in this new enterprise the EFTA countries will continue to give attention to the need of third countries for the greatest possible enlightenment regarding the arrangements now under elaboration in Stockholm.

However, as I think the CONTRACTING PARTIES will know, the negotiations for the drafting of the Convention of the EFTA are still in progress in Stockholm and the final form of the Convention as it will be agreed by the Ministers will not be known until probably towards the end of next month or perhaps not until the first part of December.

Perhaps I should describe the timetable which we are following:

At the Ministerial Meeting in Stockholm in July this year the Ministers approved a draft plan for a European Free Trade association and instructed officials to present the draft text of a Convention by 31 October 1959.

The senior officials responsible for the drafting of the Convention have been working since 8 September in order to meet the target date of 31 October, set by the Ministers for the completion of the final draft text, so that a Ministerial Meeting could be held about the middle of November.

This work is proceeding according to plan. The signing of the Convention will probably take place some time in December. Ratification was originally scheduled to take place before the end of the year so as to permit the Convention to enter into force on 1 January 1960. The complications in connexion with the parliamentary procedures in the various countries may mean that ratification of the Convention may not take place at the same time in each country. But the date of 1 July 1960, fixed for the start of the tariff reduction will not be affected. At the present moment I can therefore only give you a broad indication of the main features of the Convention so far as we can at present foresee the shape it will eventually take.

I will not take up your time with detailed analyses of the technical features of the Convention in its present form, but shall limit myself to some of the most important aspects.

The draft plan involves the formation of a free trade area in the sense of Article XXIV of the General Agreement.

The Convention will include rules for the abolition of tariffs and quantitative restrictions. There will be special provisions for trade in agricultural products and in fish and other marine products, which will be designed to facilitate the expansion of trade between Members.

The removal of duties and other restrictive regulations of commerce between the Members of the Association as provided for in Article XXIV will take place over a ten-year period expiring on 31 December 1969. Tariffs between Member
States, will, after an initial reduction of 20 per cent of 1 July 1960, be progressively and uniformly abolished in eight stages each of 10 per cent. The possibility of reducing import duties more rapidly will be examined at an early stage. Since this will be a free trade area of which the members will be free to operate their own external tariffs, there is a need for arrangements to determine the origin of goods. Provisions will therefore be made to guard against deflections of trade.

It now seems likely that the experts will recommend the introduction of a general rule in the Convention providing that those products, in order to qualify for free trade status, must have 50 per cent of their value added by processing within the area. In some cases, however, a process criterion in accordance with which certain specific processes must be carried out within the area, would be available as an alternative.

All quotas between the Seven will be expanded by at least 20 per cent annually, taking as a starting point the quotas which still remain between Members. In cases where the quota during 1959 has been negligible, quotas of an appropriate size would be accorded and increased each year by 20 per cent. However it is in no way the intention of Members to use quantitative restrictions to create a preferential system. In other words, our desire is to reduce the amount of discrimination in the world rather than to increase it. Quantitative restrictions will be abolished by the end of the transitional period.

We have of course been fully aware of the possibility that most contracting parties will be in the process of abolishing quantitative restrictions generally on a large proportion of all imports in coming years. For this reason we shall include in our Convention a provision for the review of the quota rules in the light of development.

Our general policy is that the expansion of trade should take place in conditions of fair competition. We have therefore agreed that measures should not be taken by Members which are designed to frustrate the benefits which the Members could expect to derive from the progressive elimination of the barriers to trade. In particular there will be provisions for dealing with subsidies and governmental support measures. State-trading enterprises are not to operate in a way which frustrates the benefits expected from the removal of trade barriers. There will also be provisions to deal with harmful restrictive business practices.

With regard to the administration of the European Free Trade Association the general desire is for as simple, efficient and flexible institutions as possible. A Council of Ministers is envisaged together with a small secretariat.

In order to comply with the provisions of paragraph 7(a) of Article XXIV the seven Governments will promptly notify the CONTRACTING PARTIES and make the text of the Convention available to them without delay. It will be up to the CONTRACTING PARTIES to decide on the methods to be applied in the examination of the Convention. The Governments concerned will for this purpose be at the disposal of the CONTRACTING PARTIES if they should so desire, at their next session. As time is somewhat short before the tariff reductions are planned to take effect, consideration could be speeded up by following for instance, the procedure used in the examination of the Treaty of Rome, where
questions were coordinated and submitted to the Governments prior to the examination of the Treaty. It might be useful if procedures for the examination of the Convention could be agreed upon as soon as possible.

Now, Mr. Chairman, I will make some short remarks on the economic aspects of the Association.

The countries forming the EFTA area have a population of about 90 million. They pursue fundamentally the same economic policies. The natural resources are generally adequate and the production per capita is 40 per cent higher than the average level in Europe. The area as such should consequently be suitable for specialization and division of labour.

The countries forming the EFTA area have especially well developed foreign trade. The foreign trade in 1958 per capita amounts to $487. The corresponding figure for the EEC is $408 and for the United States and Canada $238. In 1958 the total imports of the Seven amounted to $19 billion, that is 22 per cent of their gross national product. Per head of population the imports amounted to $214 last year which is again, both absolutely and relatively a very high figure. In spite of the fact that the EFTA countries represent less than 30 per cent of the total population of the OEEC countries, they take more than half of that area's imports from third countries.

This dependence on foreign trade has led the EFTA countries to pursue a traditionally liberal trade policy towards other countries and constitute a guarantee for third countries against an autarchic policy by the Association. Also with regard to tariff policy the group as a whole is known for its moderate level of tariffs which on the average is below 10 per cent.

One of the reasons why we have chosen a free trade area as the form of Association which we are adopting, is our desire to have arrangements which are sufficiently flexible to meet developments in the pattern of world trade. Indeed this concept is particularly favourable to the promotion of world trade because it leaves Member countries the freedom to take the fullest possible account of the interests of third countries.

We believe that the arrangements we are making will therefore make a positive contribution to the development of world trade. We are fully aware of the risks that exist that measures for a closer integration of the economies of some countries will lead to a weakening of the established trading links in other directions. We are confident, however, that the arrangements upon which we are embarking can be carried to a conclusion without such unfortunate and unintended consequences.

I have laid some emphasis on the desire of the seven countries that the Association they are forming will prove a liberalizing force. We see this as a logical development of a movement which started in Europe with the establishment of the OEEC more than ten years ago. In 1948 and the following years the OEEC formed in a sense the spirit of the movement for the elimination of quantitative restrictions. Out of the co-operation which was established in OEEC grew the desire to make similar progress on the tariff front. This expressed itself in the attempt to set up a tariff reduction scheme on a multilateral basis and later in the establishment of the European Economic Community and in the negotiations for a free trade area embracing all seventeen
countries of the OEEC. Our Association is the latest link in this chain of development.

If the creation of the EFTA should cause anxiety with some of the CONTRACTING PARTIES to the GATT, I would like to stress the fact that it is in no way the intention of the Governments concerned to deviate from the principles and the objectives of the General Agreement in which they believe. The inter-relationship between the EFTA countries and the CONTRACTING PARTIES to the GATT is, as I said earlier, so close that such a course would be unthinkable. The fact that prior to the formation of the Association we have predominantly low trade barriers, should constitute a guarantee against harmful discrimination.

Moreover, we believe that the arrangements we are introducing are fully consistent with the need to further the development of the trading connexions with the countries who have lower standards of living and we even believe that the association will encourage a higher level of imports from these countries to the advantage of all of us.

Mr. Chairman, I believe that what I have said should be proof enough of our desire of promoting, by this new venture upon which the Seven have embarked, the progressive liberalization and expansion of world trade. The strengthening of our economies through an intensified, outward-looking co-operation within the framework of a Free Trade Association cannot fail to increase our imports from the rest of the world, creating opportunities that we are prepared to open up to everybody. I am convinced that we serve the best interests of European economic co-operation as well as the interests of our own countries by contributing to the best of our abilities to the setting up of the European Free Trade Association of the Seven. We regard it as a step towards a wider multilateral association in Europe and more intimate economic co-operation throughout the world. Therefore I think it is fair to say that the European Free Trade Association, as conceived by our seven countries, constitutes an undertaking to respect the integrity of the General Agreement and should thus be considered as a milestone on our common road to a freer world trade under the auspices of the CONTRACTING PARTIES.