

The Agreement between the Community and the non-applicant EFTA member countries (Brussels, July 1972)

Caption: As the Agreement negotiated between the European Community and the member countries of the European Free Trade Association (EFTA) which have not applied for accession to the Community is signed in Brussels on 22 July 1972, the Commission of the European Communities publishes an information note for the press which provides an assessment of these negotiations.

Source: Archives historiques du Conseil de l'Union européenne, Bruxelles, Rue de la Loi 175. Fonds CEE et CEEA, CM2. CM2 1972. Dossier concernant les accords entre la CEE et les États de l'AELE non candidats de l'adhésion (Autriche, Islande, Portugal, Suède, Suisse). Signés le 22.07.1972, CM2/1972-1622.

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The Agreement between the Community and the non-applicant EFTA member countries (Brussels, July 1972)

On the occasion of the signature in Brussels on 22 July 1972 of the Agreement negotiated between the European Community and the member countries of the European Free Trade Association which have not requested to join the Community, the Spokesman's Group is in the process of drawing up a balance-sheet of these negotiations.

The Agreements to be signed by Austria, Finland, Iceland, Portugal, Sweden and Switzerland with the European Coal and Steel Community and the European Economic Community mark the end of the major effort of all parties to the negotiation in which the Commission, as negotiator for the Communities, played a leading role. The agreement with Switzerland applies also to the Principality of Liechtenstein whose representative participated in the negotiation.

This release is not intended as an official history of these negotiations nor as a list of the various arguments and viewpoints that have been put forward during their course but as a succinct and brief working document for the press.

Origin of the negotiations

When, at the Conference of Heads of State or Government held at The Hague on 2 December 1969, the political decision was taken to begin negotiations with the four European countries seeking accession to the Community, three of them members of the European Free Trade Association (EFTA), the Conference also stated, under point 14 of its final communiqué, that:

"As soon as negotiations with the applicant countries have been opened, discussions on their position in relation to the EEC will be started with such other EFTA members as may request them".

All the non-applicant EFTA member countries in fact requested the opening of such negotiations.

The initial outline of the Community's approach to its future relations with the EFTA countries concerned was drawn up in the first half of 1970 and was presented in the following terms by the President of the Council, Mr Pierre Harmel, at the opening negotiating session with the applicant countries held in Luxembourg on 30 June 1970:

"The Community is prepared to open discussions with the European States which are members of EFTA but which have not applied for membership of the Community, with a view to seeking possible solutions to the problems raised by enlargement, and thus to enable these States to contribute to the construction of Europe.

"With reference to these discussions, I would remind you that it follows from the decisions taken at The Hague that it is not possible to conceive of an enlarged Community except in equality of rights and obligations of all the Member States.

The Community could agree to discussions starting in the autumn with a meeting at ministerial level with any of these countries which so desire.

"The agreements concluded with these countries would be binding on the enlarged Community. It will therefore be necessary to seek appropriate formulae which will enable the States which have applied for membership to be associated in due course with the preparation and conclusion of these agreements.

"The Community considers that it would be desirable, for practical reasons and in the interest of all the countries concerned, for these agreements to come into force at the same time as the Accession Treaties."

In the autumn of 1970 the Community drew up the basic principles for negotiations with these countries and completed this preparatory work at the Council meeting of 10 November 1970. On this same day the

President of the Council, Mr Walter Scheel, met the Swiss, Swedish and Austrian delegations. On 24 November 1970 he met the Finnish, Portuguese and Icelandic delegations. During these meetings the President of the Council made opening declarations to these countries, the main points of which follow.

The President of the Council declared that the Community was aware of the great contribution that the non-applicant EFTA countries had made to European cooperation and of the contribution they could make in the future. At the same time he expressed the conviction that these countries would understand how anxious the Community was to safeguard what it had built up, especially since the Community had formed the basic unit around which European unity had been constructed and developed. "The Community considers", said the President, "that the solution to the existing problems will have to be sought in such a way as to safeguard in its entirety the enlarged Community's autonomous power to take decisions, its common policies, its efficient functioning and its development prospects." Furthermore "the international commitments, to which we are party, in particular within GATT, will have to be respected." And finally "neither you nor me wish to see the setting up of new barriers against intra-European trade".

The course of the negotiations

The negotiations went through two phases. First, the countries involved embarked upon a phase of exploratory talks to outline the scope of the problems to be tackled. A first round of these talks was held by the Commission between 16 December 1970 and 8 January 1971. This was followed by a second and more detailed round between 22 February and 2 April 1971 which permitted a more thorough consideration of the matters at hand. This enabled the Commission to draw up a comprehensive report which was forwarded to the Council on June 15 1971. In the meantime, the Community has finalized the essential features of an agreement with the countries which have applied for membership, on the general framework of the Acts of Accession and in particular on the industrial aspects (the schedule for tariff dismantling and introduction by the candidate countries of the Common Customs Tariff). This facilitated the task of proposing solutions to the non-candidate EFTA members.

It was at its meeting of 29 November 1971 that the Council was able to provide the Commission with a mandate to open the actual negotiations. These took place in five rounds:

- (i) from 3 to 18 December 1971
- (ii) from 16 to 28 March 1972
- (iii) from 7 to 21 June 1972
- (iv) on 5 and 6 July 1972
- (v) from 13 to 20 July 1972.

The contents of the Agreements

Although it is possible to refer to a "common trunk" when alluding to the Agreements just negotiated with the non-applicant EFTA member countries, this does not mean that there is a single act as in the case of the Treaty of Accession. In view of the fact that the countries in question sometimes express quite different desires and since their economies differ considerably, six treaties have been negotiated, one with each country, on separate bases.

Under these circumstances, it was decided to adopt with all the countries concerned a common basis which will be free trade in industrial products accompanied by safeguard mechanisms. As regards agriculture, the partners declare their readiness to foster, so far as their agricultural policies allow, the harmonious development of trade in agricultural products in those fields where the Agreements do not specify any particular provisions. The agreements with Iceland and Portugal, however, contain a substantial agricultural offer.

This was the basis on which supplementary arrangements were negotiated, instance by instance, with each

of the countries in the light of particular problems. In all the Agreements, except the one with Finland, provision has been made for an "evolutionary" element to be included. This means that if any one of the partners concerned feels that it would be in the interest of the economies of both partners to develop the relations established by this Agreement by extending them to spheres not covered by it, it may submit, a request with a statement of grounds to the other country. The Joint Committee may then make recommendations.

The Agreements therefore provide that the abolition of customs duties achieved between the EFTA member countries which will be joining the Community and those which will not be joining shall be maintained. Provision has also been made for extending this free trade, by means of a transitional period, to cover relations between the initial members of the enlarged Community and those EFTA countries which have not applied to join it. The schedule for dismantling customs duties in the latter case is similar to that laid down in the Treaty of Accession between the present Community and its future members, i.e.:

Timetable⁽¹⁾ Rate of reduction

1 April 1973	20%
1 January 1974	20%
1 January 1975	20%
1 January 1976	20%
1 July 1977	20%

However, it was not possible for the Community to envisage dismantling duties on all industrial products by 1 July 1977. For certain sensitive products a longer transitional period therefore had to be introduced. This was particularly the case as regards the paper industry where an 11/12 year transitional period was laid down. In this instance, however, provision was also made for a review clause after 1 January 1980, with a view to the possibility of shortening the transitional period. In the case of the sensitive products mentioned in the Agreements, a system of target ceilings on imports into the Community will also be introduced so as to take account of rapid changes which might disturb the balance of industrial branches already experiencing difficulties.

All of the EFTA non-applicant countries will also benefit from longer time schedules for tariff dismantling for certain sectors.

The Agreements lay down the procedures to be adopted to ensure harmonious free trade and guarantee equality of treatment for products originating in third countries with a view to their inclusion in the free trade arrangements.

This is especially important since these Agreements make no provision for a customs union nor do they contain any obligation to harmonize legislation (except to some extent in the field of price rules covered by the ECSC Treaty). The rules of origin to be included in these Agreements are comparable with those already applied by the Community in its existing preferential agreements. Under the system adopted, the rules of origin, which will be the same for the enlarged Community and the non-applicant EFTA countries,^(*) will provide preferential access for products having acquired origin in the Community or in one of the other countries in question and having been imported either directly or after processing in one or several of these countries or in the Community, even where this processing is insufficient to confer origin in one or other of these countries specifically. Origin must however be acquired in the first place by means of sufficient processing on a bilateral basis, i.e. between the Community and one of its partners.

From the institutional point of view, the Agreements have in each case been confined to setting up a Joint Committee which will normally meet twice a year except in emergencies. This Committee will have the job of managing the free trade arrangements, especially where customs matters and rules of origin are concerned; it will also be called upon to consider any requests for extending the Agreements.

On July 22 1972 the interim Agreement with Austria will be signed. This Agreement which amounts to a

"bonus" for Austria foresees a reduction of customs duties of 30% on entry into force of the Agreement. Entry into force could be on October 1 1972 and the Agreement will remain in force until the tariff cuts foreseen in the global Agreement are applied.

**Statistical Appendix (sources OECD, SOEC, EFTA)
(External trade figures refer to 1971 apart from the geographical distribution percentages which are based on 1969 trade).**

AUSTRIA

Population: 7 398 000

Gross national product: \$ 14 352 million

GNP per inhabitant: \$ 1940

GNP by sector:

agriculture: 7.0%

industry: 46.8 %

other sectors: 46.2 %

GNP average annual growth rate from 1965 to 1970: 5.1%

External trade:

imports : \$ 4 151 million

of which: from the enlarged Community: 65.2 %

from the enlarged Community and other EFTA countries: 76.0 %

exports: \$ 3 138 million

of which: to the enlarged Community: 50.5 %

to the enlarged Community and other EFTA countries: 66.1 %

exports as percentage of GNP: 28.8%

FINLAND

Population: 4 603 000

Gross national product: 10 035 million

GNP per inhabitant: 2 180

GNP by sector:

agriculture: 14.7 %

industry: 41.3 %

other sectors: 44.0 %

GNP average annual growth rate from 1965 to 1970: 4.8 %

external trade:

imports: \$ 2 795 million

of which: from the enlarged Community: 46.6 %

from the enlarged Community and other EFTA countries: 66.2 %

exports: \$ 2 357 million

of which: to the enlarged Community : 49.5 %

to the enlarged Community and other EFTA countries: 65.3 %

exports as percentage of GNP: 26.6 %

ICELAND

Population: 205 100

Gross national product: \$ 469 700 000

GNP per inhabitant: \$ 2 290

GNP average annual growth rate from 1965 to 1970: 2.1 %

external trade:

imports: \$ 180 million

of which from the enlarged Community: 56.1 %

from the enlarged Community and other EFTA countries:

exports: 180 million

of which: to the enlarged Community: 38.3 %

to the enlarged Community and other EFTA countries: 52.3 %

exports as percentage of GNP: 47.2 %

PORTUGAL

Population 9 588 000

Gross national product: \$ 6 328 million

GNP per inhabitant: \$ 660

GNP by sector:

agriculture: 17.7 %

industry: 42.8 %

other sectors: 39.7 %

GNP average annual growth rate from 1965 to 1970

External trade:

imports: \$ 1 772 million

of which: from the enlarged Community: 50.2 %

from the enlarged Community and other EFTA countries: 58.4 %

exports: 1 033 million

of which: to the enlarged Community: 43.1 %

to the enlarged Community and other EFTA countries: 53.8 %

exports as percentage of GNP: 24.4 %

SWEDEN

Population: 8 083 000

Gross national product: 30 877 million

GNP per inhabitant: 3 820

GNP by sector:

agriculture: 5.9 %

industry: 45.2 %

other sectors: 48.9 %

GNP average annual growth rate from 1965 to 1970:

external trade:

imports: 7 059 million

of which: from the enlarged Community: 61.6 %

from the enlarged Community and other EFTA countries: 71.5 %

exports: 7 440 million

of which: to the enlarged Community: 61.1 % to the enlarged Community

and other EFTA countries: 71.2 %

exports as percentage of GNP: 23.1 %

SWITZERLAND

Population: 6 202 000

Gross national product: \$ 20 218 million

GNP per inhabitant: \$ 3 260

GNP by sector:

agriculture: 6.4 %

industry: 49.6 %

other sectors: 44.0%

GNP average annual growth rate from 1965 to 1970: 3.7 %

external trade:

import: \$ 7 227 million

of which: from the enlarged Community: 68.1 %

from the enlarged Community and other EFTA countries: 76.2 %

exports: \$ 5 763 million

of which: to the enlarged Community: 47.7 %

to the enlarged Community and other EFTA countries: 58.1 %

exports as percentage of GNP: 37.8 %

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⁽¹⁾ In the case of Portugal and Iceland, provision has been made for longer timetables extending until 1 January 1980.

^(*) and will also apply to trade between the non-applicant EFTA countries.