



SUBJECT



PRIME MINISTER

Date

May 25, 1984

Dnr

rec'd intro 8/6/84

41

*Mr. Tai/roster
The Swedish Ambassador
sent this round to the F.C.O.
by hand today, 8 June. Pl. pass
to No 10 and circ. as nec.
JL 8/6*

Her Excellency
Mrs. Margaret Thatcher
Prime Minister of the United
Kingdom
LONDON

PRIME MINISTER'S
PERSONAL MESSAGE

Serial No. T86E/84

M. Thatcher

Dear Prime Minister

At a meeting on 23 May in Visby, Sweden, Heads of Governments of the EFTA countries adopted a Declaration on EFTA cooperation with particular reference to the international economic situation and to the relations of their countries with the European Community. I have the honour to enclose a copy of the Declaration for your information and hope that you may also find it relevant in the context of the forthcoming economic summit meeting to be held in London.

Yours sincerely

Olof Palme

Olof Palme



Bulletin de presse de l'AELE paraissant plusieurs fois par an

9-11 RUE DE VAREMBE - 1211 GENEVA 20 - SWITZERLAND - TELEPHONE 34 90 00

23 May 1984

8/84/P

Meeting of Heads of EFTA Governments and Ministers

Visby, 23 May 1984

Declaration

Objectives

1. Heads of EFTA Governments and Ministers meeting in Visby on 23 May 1984 underline the continuing importance of EFTA in European and global economic co-operation, pursuing the objectives laid down in the Stockholm Convention - sustained expansion of economic activity, full employment, increased productivity and rational use of resources, financial stability and continuous improvement in living standards, and the expansion of world trade and the progressive removal of barriers to it. They are determined to pursue these objectives, individually and collectively, in their internal EFTA co-operation, in their co-operation with the European Community and in the global context. In so doing they will build on the positive achievements of two decades of EFTA co-operation. They stress the need to intensify their co-operation in the present situation of increasing protectionist pressures.

Co-operation on global and international matters

2. Internationally, unemployment has assumed very serious dimensions. The EFTA Governments stress the need to strengthen and broaden the current international economic recovery, to make it lead to a reduction of unemployment. Against the background of increased international economic interdependence, the EFTA Governments attach great importance to intensifying international co-operation aimed at stronger and sustained economic growth without rekindling inflation, moderating

exchange rate fluctuations, a speedier adjustment to new technologies and market conditions and a reduction of protectionist pressures. With this objective, the EFTA Governments support the work in the OECD aimed at a concertation of economic policies, recalling that even small but concerted steps can lead to substantial results.

3. The EFTA Governments give priority to the proper functioning and further development of the open multilateral trading system with GATT as its cornerstone. Protectionism in all its forms must be fought at all levels. No new protectionist measures should be introduced. The authority of GATT must be strengthened and the trend towards trade bilateralization reversed. GATT obligations must be fully respected. The EFTA Governments commit themselves to taking no restrictive trade measures outside GATT and expect their main trading partners to apply similar policies. They support the idea of a new round of multilateral trade negotiations in the framework of GATT but stress the need for thorough preparations. Substantive progress with regard to the GATT Work Programme should provide the appropriate basis for comprehensive new negotiations.

4. The EFTA Governments strongly support the efforts to achieve a roll-back of existing protectionist measures and commit themselves to working forcefully with their trading partners for an early dismantling of such measures, in particular those introduced outside GATT. They agree to accelerate the implementation of their remaining Tokyo Round tariff reductions beyond the measures announced at the recent OECD Ministerial Meeting by also making the last tariff cut scheduled for 1 January 1987 one year ahead of time, expecting their main trading partners to do the same.

5. The EFTA Governments appeal for the maintenance of international tourism without restrictions, bearing in mind its importance for national economies as well as for human relations.

6. The EFTA Governments support a revitalization and strengthening of the North-South dialogue based on partnership. The problem of international indebtedness must be solved in an orderly way so that, with due regard to their development objectives, the developing countries concerned can gradually stabilize their economies, expand foreign trade and meet their international obligations. In this context the IMF and the World Bank institutions should take fully into consideration the importance of safeguarding and strengthening the open multilateral trading system. The EFTA Governments are determined to maintain and, wherever possible, improve market access for imports from developing countries, especially as regards the least developed countries. The individual schemes under the Generalized System of Preferences should be continued and improved. The EFTA Governments stress the need for developing countries to become better integrated into the open multilateral trading system.

7. The EFTA Governments will continue to implement the Declaration signed by their countries and Yugoslavia in June 1983 in order to expand economic co-operation with Yugoslavia.

8. The EFTA Governments support stable development of trade and other economic relations with East European countries and recognize the importance of the work of the Economic Commission for Europe in this regard.

Co-operation with the European Community

9. The EFTA Governments note with satisfaction that with the abolition, early in 1984, of the last remaining tariff barriers and quantitative restrictions affecting trade in industrial products, the goals set out more than ten years ago in the Free Trade Agreements have been attained. These Agreements have functioned well. The total foreign trade of the EFTA countries and the Community, which are each other's biggest trading partner, amounts to about 40 per cent of world trade. The objectives of the Vienna Declaration of May 1977 to expand trade and economic co-operation have also been pursued beyond the framework of the Free Trade Agreements.

10. The EFTA Governments underline the importance of the Joint Declaration adopted in Luxembourg on 9 April 1984 at the Ministerial meeting between the European Community and its Member States and the EFTA countries. Recalling that all parties were convinced of the necessity of prompt action to consolidate and strengthen co-operation, they will explore, together with the Community, practical arrangements for the follow-up of the Declaration to achieve its objectives.

11. The EFTA Governments regard the common determination expressed at the Luxembourg meeting to eliminate remaining hindrances to free trade between the EFTA countries and the Community and the Community's efforts to strengthen its internal market as important contributions to the progress towards a genuine West European home market for industrial goods. The EFTA Governments strongly welcome this determination and expect that together with the Community ways and means will be found to improve the free circulation of industrial products.

12. In this context, the EFTA Governments recall the common determination expressed in the Luxembourg Declaration to simplify the rules of origin and invite the Community to find with them solutions in order to remove the present deficiencies. Moreover, border formalities and trade documentation should be simplified. Technical standards and regulations should be harmonized and European standards should be elaborated jointly. Reciprocal recognition of tests and certification should have broader application. Initiatives in all these fields should be taken promptly.

13. Other important objectives are the identification and elimination of government aids which are incompatible with the proper functioning of the Free Trade Agreements, access to government procurement, elimination of unfair trading practices, co-operation on patents and trade mark law, and dismantling of other non-tariff barriers to trade. Furthermore, the EFTA Governments are prepared to explore with the Community the possibility of agreeing on the elimination of export credit subsidies within the European free trade system.

14. The EFTA Governments stress the importance of continued pragmatic and flexible co-operation with the Community beyond the framework of the Free Trade Agreements and are interested in broadening and deepening such co-operation.

15. The EFTA Governments declare their interest in expanding with the Community consultations and co-operation, as appropriate, in areas such as economic and monetary matters, transport policy, trade in fish and agricultural products, energy, trade in services, environmental policies, working conditions, consumer protection, and North-South issues.

16. The EFTA Governments are prepared to intensify co-operation with the Community on efforts to improve the competitiveness of European industry within the open multilateral trading system. In this context, an area of substantial mutual interest is research and development, where special attention should be given to industrial and technological fields with particular potential for future development.

17. The EFTA Governments support increasing consultations and exchanges of information with the Community on trade policy matters with the aim of strengthening the open multilateral trading system.

18. Portugal's EFTA partners express understanding and sympathy for the reasons and objectives which have led Portugal to apply for Community membership. The EFTA Governments stress the need for a smooth transition and will continue to contribute to it. They also welcome the inclusion of Spain in the European free trade system as a Member of the European Community, this inclusion having been facilitated, inter alia, by the Agreement between the EFTA countries and Spain. In the transitional period non-discriminatory treatment must be secured.

19. The EFTA Governments underline the importance of EFTA and the Community taking into account, in the future as in the past, the special structure of the exports of Iceland.

Internal EFTA co-operation

20. The EFTA Governments stress the importance of the European Free Trade Association to them both for its beneficial effect on the functioning of their economies and for its rôle in wider international co-operation. They are resolved to strengthen and improve their co-operation on the basis of the Stockholm Convention.

21. In particular, they will continue to work for the abolition and prevention of trade-distorting non-tariff barriers to trade which may not be in accordance with the Convention, committing themselves to creating no new such barriers. They will work towards the reduction of trade bureaucracy.

22. The EFTA Governments will make increased use of EFTA as a forum for exchange of information, consultation and, when appropriate, co-ordination in trade and economic matters of common interest. In the perspective of increased activities on global and international matters and in co-operation with the Community, the EFTA Governments intend to expand their co-operation as required.

23. The EFTA Governments underline the importance of the contribution being given by the advisory bodies, the Committee of Members of Parliament and the Consultative Committee.

24. The EFTA Governments note with satisfaction the approval by the EFTA Councils of an EFTA Work Programme as guidelines for the future work of the Association. They underline the importance of its implementation for the pursuance by the Association of the objectives outlined in this Declaration.

- - - - -

18 May 1984

SUMMIT MEETING

Visby, 23 May 1984

LIST OF PARTICIPANTS

CHAIRMAN

Mr. Olof Palme
Prime Minister of
Sweden

AUSTRIA

Mr. Fred SINOWATZ
Federal Chancellor
Head of Delegation

Mr. Erwin LANC
Federal Minister
for Foreign Affairs

Mr. Georg SEYFFERTITZ
Ambassador
Director General for
Economic Affairs
Federal Ministry for
Foreign Affairs

Mr. Georg REISCH
Ambassador
Permanent
Representative of
Austria to EFTA

Mr. Hugo MICHITSCH
Director
Federal Ministry for
Commerce, Trade and
Industry

Mr. Michael FITZ
Envoy extraordinary
and Minister
plenipotentiary
Federal Ministry for
Foreign Affairs

Mr. Herbert RAABER
Director
Federal Ministry for
Commerce, Trade and
Industry

Mr. Ernst PALISEK

Director
Federal Ministry for
Finance

Mr. Alfred KOMAZ

Minister Counsellor
Deputy Permanent
Representative of
Austria to EFTA

- - - - -

Mr. Ferdinand STOLBERG

Ambassador of Austria
to Sweden, Stockholm

Mr. Manfred SCHEICH

Ambassador
Head of the Austrian
Permanent Mission to
the European
Community, Brussels

Mrs. Eva NOWOTNY

Counsellor
Office of the Federal
Chancellor

Mr. Johannes KYRLE

Counsellor
Office of the Federal
Minister for Foreign
Affairs

Mr. Erich HAAS

Office of the Federal
Chancellor

- - -

FINLAND

Mr. Kalevi SORSA	Prime Minister of Finland
Mr. Jermu LAINE	Minister for Foreign Trade
Mr. Åke WIHTOL	Under-Secretary of State for Foreign Trade Affairs
Mr. Paavo RANTANEN	Ambassador Permanent Representative of Finland to EFTA
Mr. Erkki MÄENTAKANEN	Director Ministry for Foreign Affairs
Mr. Eero TUOMAINEN	Director Economic Planning Center of Finland
Mr. Christian ANDERSSON	Special Adviser Ministry of Trade and Industry
Mr. Leif BLOMQVIST	Deputy Director Ministry for Foreign Affairs
Mr. Veli SUNDBÄCK	Minister Counsellor Deputy Permanent Representative of Finland to EFTA
Mr. Antero VIERTIÖ	Assistant Director a.i. Ministry for Foreign Affairs
Ms. Kirsti LINTONEN	Assistant to the Prime Minister
Mr. Per-Mikael ENGBERG	Second Secretary Ministry for Foreign Affairs

Observers:

Mr. Björn-Olof ALHOLM

Ambassador
Embassy of Finland
Stockholm

Mr. Paavo KAARLEHTO

Ambassador
Mission of Finland to
the European
Communities
Brussels

Mr. Jorma VILHUNEN

Political Assistant to
the Prime Minister

Ms. Sicken PARK

Press Officer

- - -

ICELAND

Mr. Steingrímur HERMANNSSON	Prime Minister of Iceland
Mr. Matthías A. MATHIESEN	Minister of Commerce
Mr. Thórhallur ASGEIRSSON	Secretary General Ministry of Commerce
Mr. Hannes HAFSTEIN	Ambassador Permanent Representative of Iceland to EFTA
- - - - -	
Mr. Guðmundur BENEDIKTSSON	Secretary General Prime Minister's Office
Mr. Benedikt GRÖNDAL	Ambassador Embassy of Iceland Stockholm

- - -

NORWAY

Mr. Sverre STRAY	Minister of Foreign Affairs Acting Prime Minister of Norway
Mr. Asbjørn HAUGSTVEDT	Minister of Trade and Shipping
Mr. Erik SELMER	Secretary General Ministry of Trade and Shipping
Mr. Martin HUSLID	Ambassador Permanent Representative of Norway to EFTA
Mr. Øystein JOSEFSEN	Director General Prime Minister's Office
Mr. Jens OTTERBECH	Director General Ministry of Trade and Shipping
Mr. Nils O. DIETZ	Deputy Director General Ministry of Foreign Affairs
Mr. Per MANNES	Head of Division Ministry of Trade and Shipping
Mr. Arve THORVIK	Head of Division Ministry of Foreign Affairs
Mr. Egil ANDHØY	First Secretary Deputy Permanent Representative to EFTA
Mr. Lars-Henrik KNUTRUD	Executive Officer Ministry of Trade and Shipping
Ms. Kristine HAUER JENSEN	Secretary to the Minister of Trade and Shipping

Observers:

Mr. Oscar VAERNØ

Ambassador of Norway
to Sweden

Mr. Christian BERG-NIELSEN

Ambassador of Norway
to the European
Communities, Brussels

Mr. Thorbjørn FRØYSNES

Personal Adviser to
the Minister of
Foreign Affairs

- - -

PORTUGAL

Mr. Mário SOARES	Prime Minister of Portugal
Mr. Alvaro BARRETO	Minister for Trade and Tourism
Mr. António MARTHA	President of the Commission for European Integration
Mr. Joao DE MATOS PROENCA	Ambassador Director-General for Political Affairs Ministry for Foreign Affairs
Mr. Fernando DA SILVA MARQUES	Ambassador Director-General for Economic Affairs Ministry for Foreign Affairs
Miss Ana BARATA	Diplomatic Assistant to the Prime Minister's Office
Mr. Carlos VENTURA MARTINS	Press Assistant to the Prime Minister's Office
Mr. Joao SIMOES DE ALMEIDA	Chef de cabinet of the Minister for Trade and Tourism
Mr. José GUERREIRO JOAQUIM	Under Director-General Ministry of Trade and Tourism
Mrs. Teresa MOURA	Director Secretariat for European Integration
- - - - -	
Mr. Fernando REINO	Ambassador Head of the Portuguese Permanent Delegation to EFTA
Mr. Joao NIZA PINHEIRO	Second Secretary Portuguese Permanent Delegation to EFTA

SWEDEN

Mr. Olof PALME	Prime Minister of Sweden
Mr. Ulf HJERTONSSON	Assistant Under- Secretary Prime Minister's Office
- - - - -	
Mr. Mats HELLSTRÖM	Minister for Foreign Trade
Mr. Carl Johan ÅBERG	Under-Secretary of State for Foreign Trade
Mr. Magnus VAHLQUIST	Assistant Under- Secretary Ministry for Foreign Trade Trade Department
Mr. Lennart ALVIN	Director Ministry for Foreign Trade Trade Department
Mr. Lars-Olof LINDGREN	Political Adviser Ministry for Foreign Trade Trade Department
Mr. Wilhelm VON WARNSTEDT	Head of Section Ministry for Foreign Trade Trade Department
Mr. Bengt Gunnar HERRSTRÖM	First Secretary Ministry for Foreign Trade Trade Department
Mr. Eskil RENSTRÖM	First Secretary Ministry for Foreign Trade Trade Department
- - - - -	
Mr. Hans V. EWERLÖF	Ambassador Swedish permanent representative to EFTA

Mr. Christer MANHUSEN	Counsellor Swedish Delegation Geneva
Mr. Stig BRATTSTRÖM	Ambassador Swedish permanent representative to the European Community Brussels
Mr. Karl-Wilhelm WÖHLER	Minister Swedish Delegation Brussels
- - - - -	
Mr. Sven Fredrik HEDIN	Ambassador Swedish Embassy Lisbon
- - - - -	
Mr. Gunnar LUND	Assistant Under- Secretary Ministry of Finance
- - - - -	
Mr. Gunnar SÖDER	Director General Board of Trade
Mr. Staffan SOHLMAN	Deputy Director General Board of Trade
Mr. Fritz ANDERSSON	Head of Section Board of Trade
- - - - -	

SWITZERLAND

Dr. Kurt FURGLER	Vice-President of the Federal Council and Head of the Delegation
Mr. Cornelio SOMMARUGA	Secretary of State Director of the Federal Office for Foreign Economic Affairs
Mr. Philippe LÉVY	Ambassador Delegate of the Federal Council for Trade Agreements
Mr. Francis PIANCA	Ambassador Head of the Political Division I of the Federal Department for Foreign Affairs
Mr. Pierre-Louis GIRARD	Minister Head of the Integration Office
Mr. Jacques FAILLETAZ	Minister Head of the Economic and Financial Service Federal Department for Foreign Affairs
Mr. Walter FUST	Integration Office
- - - - -	
Mr. Fritz BOHNERT	Ambassador of Switzerland to Sweden
Mr. Carlo JAGMETTI	Ambassador Head of the Swiss Mission to the European Communities Brussels

- - - - -

LIECHTENSTEIN

Mr. Hans BRUNHARD	Head of Government
Mr. Hilmar OSPALT	Deputy Head of Government
Mr. Benno BECK	Head of the Office for Public Economy
Mr. Roland MARXER	Head of the Office for International Relations

SECRETARIAT

Mr. Per KLEPPE

Secretary-General

Mr. Norbert FAUSTENHAMMER

Deputy Secretary-
General

* * * * *

Speech at the EFTA Summit Meeting in Visby
on 23 May 1984 by Prime Minister Olof Palme,
Chairman of the Summit Meeting

When Sweden invited the EFTA countries to a new meeting at summit level we did so for several reasons.

Seven years have passed since the last meeting of this kind was held in Vienna. The Declaration adopted at that meeting has proved to be of considerable importance. It gave an impetus to broader co-operation, not only with regard to internal EFTA issues, but also to relations with the European Communities. And it was the Vienna meeting which gave the signal for the negotiations which led to the EFTA countries' free-trade agreement with Spain. Another important achievement of the Vienna meeting was to demonstrate to the rest of the world how important the EFTA countries are as a trading group. We have seen how the European Communities' Council has cited the Vienna Declaration over the years when it has addressed co-operation in the broader West-European context.

There is no denying that our economic and trade environment has changed dramatically since 1977. One of the main features of economic developments

during most of this period has been stagnating growth. And despite a certain economic recovery recently, unemployment in Europe has continued to rise to alarmingly high levels.

Stagnation and unemployment constitute a grave threat to the free-trade system. For we have seen how in the wake of the economic crisis, governments have been subjected to growing pressure to take, and in some cases given in to, protectionist measures in order to safeguard short-term national interests. We have also had to watch a growing tendency for settlements to be made between countries and interest groups outside the open multilateral trade system. These are trends which we small, and very export-dependent, EFTA countries must regard with great concern.

But this picture has a brighter side: our relations with the European Communities have continued to develop favourably even in times when signs of crisis have been predominant. At the beginning of this year, the last transitional arrangements in the free-trade agreements between the EFTA countries and the European Communities were abolished. Thus everything has gone according to plan as regards the agreements we signed twelve years ago. We consider the first Meeting of Ministers

of both EFTA and Community countries at the beginning of April this year to be a milestone in the history of relations between the two trade groupings. Thus, we can now enter a new phase in our cooperation.

This was one of the reasons why we considered that a new meeting between the EFTA countries at summit level was essential.

Before I present my views on how we can further develop co-operation between our countries, I should like to give you an account of the meeting I have had today with representatives of two important EFTA institutions: the Committee of Parliamentarians and the Consultative Committee.

It was a most constructive gathering which demonstrated the interest and importance with which our Meeting is regarded in our parliaments and among our partners on the labour market. We can be quite sure that all we advocate in the Declaration to be adopted here has the wholehearted support of both committees. The central theme in their message to us is also the Leitmotiv of our Meeting: the fight against unemployment and protectionism.

Sweden attaches great importance to the part of the Declaration dealing with matters of economic policy.

This is only natural considering the close ties there are between the economic and trade policies, between economic problems in the world and growing protectionism.

One can certainly conclude that free trade in Western Europe has essentially stood the test of the economic difficulties of recent years. Proof of the intrinsic strength of our system is the fact that we have been able to continue to develop free trade in spite of economic strains.

One can also wonder where Western Europe would be today if we had not had co-operation within and between the European Communities and EFTA. I am convinced that the economic problems - no matter how great they may seem today - would have been much more serious. Who knows - there may even have been the risk of a trade war between our countries. There is no doubt at all that it would have primarily been the small countries of Western Europe who would have had to bear the burden of such a crisis.

Today, unemployment in Western Europe has reached the almost inconceivable figure of 20 million jobless. This is a terrible waste of resources and conceals countless human tragedies.

Unemployment has recently been on the agenda of a special conference in Strasbourg to which the European Trade Union Confederation invited representatives of governments and employer organizations in Europe.

A delegation of prominent trade union leaders from the ETUC has since come to see me and urgently pleaded that we shall give the fight against unemployment a prominent place in the deliberations of this Meeting. The ETUC delegation gave me an account of the extensive and constructive results of the Strasbourg meeting.

Briefly described, they can be said to reflect a conviction on the part of the delegates to the Strasbourg conference that the one way out of unemployment and stagnation goes via co-ordinated policies of economic expansion in Western Europe.

One of the proposals put forward at the Strasbourg meeting - I believe coming originally from Finland - was to set up a European High-Level Commission charged to work out a programme for the creation of 10 million new jobs in Western Europe. The Swedish Government would be prepared to consider that proposal seriously.

The main reason for advocating a co-ordinated policy of economic expansion in Western Europe is that co-ordination in itself can have substantial effects on economies and employment levels, although the measures taken by each country are fairly limited. Taken on their own, these measures would have little impact, but were they to be integrated into a co-ordinated policy their cumulative effect could contribute towards a substantial increase in both production and employment.

In recent years we have observed an increasing number of violations of the international rules in the field of trade. In times of crisis, all governments are under pressure from different groups in society to take protective measures. But measures of this kind are only short-term solutions.

For the EFTA countries, which have only 1 per cent of the world's population but 7 per cent of world trade, the preservation of free trade throughout Western Europe - and in the final analysis at the global level within the framework of GATT - is a matter of absolute necessity.

Clear and firm rules governing the measures which are permitted and a system for dealing with actions which violate those rules are to our advantage. GATT is a corner-stone in the open multilateral trade system.

Our Declaration gives a clear and unequivocal expression of our involvement in efforts to defend and to develop the GATT system. The EFTA countries as a group have an important role to play. We are not among the largest in the world. But together we can more easily defend our interests. Together we shall be in a better position to promote the discussion of trade-policy problems in the appropriate multilateral organizations rather than in meetings limited to the major trading nations.

When it comes to relations with the Third World, there have been only limited discussions of its problems previously within EFTA. But relations between Western Europe and the Third World are very much a question of mutual interest and interdependence. We are all aware that economic growth in the Third World is a most important prerequisite for an economic recovery in the industrialized world.

We, industrialized countries, have also a moral responsibility to help the countries of the Third World to make progress in their struggle against under-development. We must, therefore, never forget that economic problems are increasingly assuming a global dimension, and the way in which we act, or fail to act, affects our ability to promote a more just economic order in the world as a whole.

We should, therefore, take every opportunity to discuss also in our organization relations with the Third World.

However, the focus of our interest here today is how we EFTA countries - on the basis of the largest free trade system in the world we have created together with the European Communities - can contribute towards developing European co-operation and making it more effective.

Sweden, for its part, has taken an active part in convening the meeting between the European Communities and EFTA which took place in Luxembourg at the beginning of April. This was the first time a meeting of this kind was held at ministerial level. The declaration from Luxembourg and from our meeting here today indicate a number of areas which are suitable for deepened and broadened co-operation.

The most important - and one in which EFTA, with a small but very efficient secretariat, can make the greatest contribution - is the creation of a genuine European home market. But before I discuss this main task of our organization, I should like to point to two other fields where it is important - in fact essential - that co-operation between the EFTA countries and the European Communities is intensified.

I want to start with the need for co-operation in protecting our European environment.

The protection of the environment in which our people live and work has become a task which can only be solved through trans-boundary co-operation. Every country must impose upon itself obligations and limitations in the fields of agriculture and industry. If we know that the other countries are imbued with the same political will to take action, it is easier to implement the measures which are now necessary if we are to avoid leaving to our children and grandchildren an inheritance of a despoiled environment.

And, just as important, some of the pollutants emitted from industry are carried across borders, and perhaps cause greater damage in countries other than where they originate. Acidification is today an imminent threat to our lakes and forests.

Here national interests and the demands of international solidarity converge in a way which must result in prompt and energetic countermeasures decided upon and implemented in a spirit of mutual understanding between many countries.

Another area, where increased co-operation on a European basis is absolutely necessary, is research.

In my view, practical and specific research co-operation must be given greater scope in relations between the Communities and the EFTA countries. No one European country possesses the insights and resources that are necessary here. But I am firmly convinced that through concerted efforts in the field of research, the Communities and the EFTA countries can lay the foundation for the industrial renewal necessary to get the wheels spinning in our economies and to hold our own in competition with the United States and Japan. Together, we can achieve results which will bring to nought all the prophecies that Western Europe has had its day. This places a heavy responsibility on the shoulders of governments as well as on trade and industry, to ensure that these great and valuable resources are used to the full so that Western Europe can once again play a leading role in research, technology and industrial renewal.

It is gratifying that during the French chairmanship of the European Communities, President Mitterrand has stressed the importance of research co-operation for industrial renewal in Europe.

I also would like to compliment the European Commission, which has long been aware of this aspect, and appears increasingly prepared to draw the

practical consequences of the growing urgency of research co-operation in Western Europe.

And finally, the question of the creation of a genuine European home market which I earlier indicated as something of a main task for our organization.

The European Communities and EFTA constitute the world's largest free-trade system. The West European market, with 300 million people living in eighteen countries, is larger than the combined market of the United States and Canada. Here we have a very large but, as yet, far from fully exploited market potential for European industry. The reason why this potential has not been fully utilized, in spite of the dismantling of customs barriers, is that we are still burdened with so much bureaucracy, red tape and technical trade barriers that we cannot give our industry the same advantages as those enjoyed by companies in the United States and Japan in their national markets. There are estimates which indicate that administrative regulations and bureaucracy burden companies - and consequently also the consumers in Western Europe - with costs of roughly the same dimensions as average customs duties - or in other words, between 6 and 8 per cent of the value of a product.

A genuine European home market presupposes, for instance simplified customs controls, the harmonization of various standards and regulations and simplification and improvement of the rules of origin. The dismantling of such technical trade barriers is an arduous task.

However, it is extremely gratifying that both in the Luxembourg Declaration and in our declaration here today, we clearly express our political will to really get to grips with this problem. Our meetings in Visby this week have in deed focussed on how to translate this political will into concrete action. The programme of action adopted by the ministers of trade yesterday in Visby lays down specific ways and means for our organization to tackle this task. We should now transmit our ideas to the Community with a view to starting as soon as possible the practical implementation of cooperation in the important new areas to which we have given priority.

By giving our companies a greatly increased market potential, a European home market of this kind will make a very significant contribution to our efforts to revitalize European industry.

I believe that all we EFTA countries are optimistic about the prospects of developing co-operation - both unilaterally and multilaterally - with the European Communities in these fields.

The years that have elapsed since we concluded our free-trade agreements have shown that membership of

the Communities has not developed into an insurmountable barrier between the Community nations and non-members in Western Europe - a disadvantage which was feared in some quarters in our countries at the beginning of the Seventies. The Communities have not developed into an introvert and homogeneous mammoth.

Today we are observing with great attention the southward expansion of the Communities. This process is going on at the same time as democracy is being consolidated in Portugal, Greece and Spain. These are countries which are not only in need of increased economic exchanges with the rest of Western Europe. They are all undergoing a delicate process of ridding themselves of the shackles of fascism and dictatorship. When the European Communities open their doors to them, this helps to underpin their democratic structures. May I take this opportunity of stressing that we EFTA countries wholeheartedly support Portugal's decision to gain membership of the European Communities. To Mario Soares, I want to say that we shall miss the close co-operation with Portugal in EFTA, but what we have achieved in EFTA will endure and develop - albeit on another foundation.

We have, of course, no reason to interpret the interest of the European Communities in countries of Southern Europe as lack of interest in us. Eloquent proof of this is the Luxembourg Meeting which was held at a time when the Communities' agenda is not only full of negotiations on enlargement, but also when the Community are tackling some major problems in their internal co-operation.

In this context I would like to state quite definitely that it is obviously in our interest that solutions are found within the Community so that the work of integration can be set in motion again.

For our part we have every reason to be satisfied with the development of our relations with the European Communities. Conditions for gaining a hearing for our ideas for co-operation outside the framework of the free-trade agreements have proved to be better than we dared hope when the agreements were concluded.

Nevertheless, there is a need for this Summit Meeting to underline the great importance of EFTA on the world trade map, to increase the awareness that Europe is something more than the European Communities.

And Europe is, of course, also something more than Western Europe. We in Western Europe are united by historical and cultural ties with the peoples of Eastern Europe.

Economic exchanges between Eastern and Western Europe are of essential importance to the economies of both regions, and obviously of mutual benefit. There is no doubt that these exchanges can be expanded. We should prepare ourselves for such an expansion, both governments and companies. Nor should we preclude the Eastern European states - together, or one or some of them - at some future date accepting parts of the GATT rules system, and thus possibly finding it of interest to increase their contacts with both GATT and the OECD. At the same time, we should bear in mind that the systems are so different that development of this kind can only proceed very slowly. We know that trade between East and West Europe is greatly dependent on political decisions - on both sides in fact.

Therefore, it is obvious that headway of this kind hinges on an improvement of the general political climate. Correspondingly, it is clear that if the improvement is to be durable it must be given stability through broader and firmer economic co-operation.

The co-operation which has been developed over the years between EFTA and Yugoslavia has proved valuable. In the Bergen Declaration, the EFTA countries have undertaken to work for the further development of co-operation with that country and in that framework try to promote the growth and diversification of trade.

At the beginning of my address I spoke of the dramatic change in the economic environment in our part of the world since our Summit Meeting 1977.

I want to close by ringing a peal of bells with a more hopeful message. And this I do by looking further back into the past. Since the end of the war the living standards of our peoples have risen and social services have been expanded at a rate which would have been regarded as Utopian during the years immediately after the war. Today, as we hear the prophets of disaster croaking about the future of Europe, we must bear in mind that in the extensive reconstruction of Europe after the war - symbolized by the Marshall Plan and the OECD's predecessor, the OEEC - one essential element was a growing freedom of movement for goods, manpower and capital across national borders. The conditions necessary for repeating this miracle are there and today as at that time it has to be achieved through concerted efforts.

But in order to do this, we must support efforts for economic integration, in the conviction that together we can promote economic recovery and bring ourselves out of the crisis, in the conviction that the adjustment to new industrial conditions can take place more easily and more smoothly within the framework of European co-operation, than in an atmosphere of "every man for himself".

To conclude, we must always strive to give economic co-operation a clearly social dimension, direct it along a course that leads to the best possible conditions for employment and well-being in all countries taking part in the co-operation.

We must make concerted efforts to dispel the sense of insecurity about the future which is widespread because unemployment has been allowed to assume dimensions which pose a threat to the very social fabric of our societies. It is people's confidence in the ability of democracy to improve the conditions of their lives which in the long run determines the strength of democracy. It is this confidence in the power of democracy and in peaceful cooperation, which we, as Europeans and democrats, must fight to preserve.