

## 'Greece joins EC and wider European free trade system' from the EFTA Bulletin (December 1980)

**Caption:** In its December 1980 issue, the European Free Trade Association (EFTA) Bulletin analyses future relations between EFTA and Greece after that country joins the European Communities in January 1981.

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## Greece joins EC and wider European free trade system

When Greece joins the European Communities in January 1981 it will also become a partner of the EFTA countries in the European free trade system. The free trade agreements which link the seven EFTA countries with the EC form part of the complex of agreements and rules which the EC requires new members to accept. The effect in this case will be to remove by stages all tariffs and quotas on the trade in industrial goods between the seven EFTA countries and Greece. This process will be completed by the end of 1985.

It must be said that the proportion of EFTA's overall exports going to Greece is relatively small: just about 0.6 per cent last year for the group as a whole. Considered as a source of imports into Greece the EFTA countries are more important, supplying 6 per cent of all Greek imports. Only in the case of Austria, geographically the closest of the EFTA countries to Greece, does the proportion of exports to Greece rise to as much as 0.9 per cent. Still, the new free trade partner provided a market for 655 million dollars worth of exports, four-fifths of them in the form of industrial goods, even though this market was growing less rapidly than EFTA's exports to the nine-nation EC and also less rapidly than intra-EFTA trade.

Switzerland is the biggest exporter to Greece among the EFTA countries, and characteristically 98 per cent of its exports to this country last year consisted of manufactured goods. These included a variety of types of non-electrical machinery, which last year accounted for one third of its sales to Greece, electrical machinery—another growing sector—and pharmaceutical products. Sweden comes in second place, supplying trucks, truck chassis for assembly in Greece, and many kinds of machinery among its manufactured exports. But there is also a substantial export of raw materials which keeps the share of manufactures in Sweden's exports to Greece to 80 per cent. Austria, the third largest of the EFTA exporters to Greece, is also primarily a source of engineering products although in addition it supplies paper and pulp, agricultural produce and other raw materials.

Statistics show that industrial products are much less preponderant among imports into the EFTA countries from Greece. Total imports from Greece last year amounted to \$206 million. For the EFTA countries as a whole, manufactures accounted for 44 per cent of imports from Greece last year, agricultural products (SITC 0 and 1) 29 per cent and petroleum products (mostly fuel oil supplied to Sweden) 19 per cent. It is perhaps worth noting that so far as the relative importance of agricultural products and manufactures are concerned the proportions differ little from those in the trade statistics for 1970.

On the other hand there has been a marked change in the composition of Greek exports to the EC since 1962 when an association agreement between Greece and the European Economic Community came into effect. (There was no corresponding agreement with the European Coal and Steel Community.) At the beginning of that period only 1.8 per cent of Greek exports to the six members of the EC of that time consisted of industrial products. By last year, after eleven years of duty-free entry into the EC for Greek industrial products other than iron and steel, manufactures accounted for 61 per cent of Greek exports to the enlarged EC. And one of the reasons for this was clearly the opening of Community markets brought about through the association agreement. This agreement also covers agricultural goods. Most Greek agricultural products enter the EC duty-free; Greek tariffs on many EC agricultural exports were finally abolished in 1974 and the tariffs on the others will be completely removed in 1984.

The association agreement was intended to pave the way for Greek accession to the EC at a later stage, and when the treaty of accession was subsequently negotiated it included a general five-year transitional period (to the end of 1985) for the integration of Greece into the EC's customs union, a point of importance for the EFTA countries. For in effect it meant that the final stages in the abolition of EC tariffs and quotas on industrial imports from Greece would be completed by the end of the period.

There are two aspects to this process that are relevant here. One is that the whole of the EC's external tariffs on imports of iron and steel products from Greece, and similarly the Greek tariffs on those imports when coming from the EC, will be removed in these five years. The second is that Greece will complete within the same period the removal of its tariffs on EC industrial products which are not already duty-free, as many of them have been since 1974. At present the import duty on these products is down to 32 per cent of the

original basic duties.

This may seem an indirect way to introduce the main rules that will govern trade between the EFTA countries and Greece from the beginning of 1981 but it is perhaps the most convenient once since the rules on tariffs and quotas reflect the arrangements just described. The EFTA countries agreed to accept an identical five-year transitional period, so far as Greek tariffs are concerned, for their trade with Greece. On the other hand, their own tariffs on virtually all industrial imports from Greece are being abolished from 1st January 1981, with the exception of iron and steel products on which their import duties will be progressively removed between then and 31st December 1985. In this respect the tariff treatment given to Greek products will be identical in EFTA and the EC.

As for Greek tariffs on imports from the EFTA countries, they are being removed immediately in the case of industrial products which have been duty-free when imported from the EC since 1974. The extent of this liberalisation inevitably varies from country to country, depending on the actual composition of their exports to Greece. In the case of Sweden, about two-thirds of its exports to Greece will be duty-free from the beginning of 1981.

For all other industrial products, including iron and steel products, the Greek tariffs will be removed stage by stage up to the end of 1985 when they will reach zero level. Other charges with an effect equivalent to tariffs are also to be removed during this period. There is here, however, a difference in the position of Greek imports of EC products since for them the starting point for the tariff cuts in the coming five years are the duties at present in force after all the reductions already made under the association agreement.

There will continue to be quantitative restrictions on the import from the EFTA countries into Greece of fourteen products which, when imported from the EC, remain subject to quotas. In relation both to the EC and to the EFTA countries the quotas must, however, be progressively liberalised and finally abolished by the end of 1985. The products are the following : certain fertilisers (nitrogenous, phosphatic and some others), boilers for central heating, some vapour generating boilers, some compression ignition engines, some pumps, parts of steel for cement ovens, some scales as well as weighing machine weights of all kinds, some electrical motors, television receivers, cabinets and cases, cables for television aerials, buses and coaches, and bodies and cabs for some buses, coaches and lorries.

All the EFTA countries except for Portugal have completed their negotiations with the EC on these and other aspects of the transitional arrangements and signed protocols to the free trade agreements to incorporate the arrangements. In their main features the protocols, scheduled to come into force on 1st January 1981, are understood to be identical although there are certain additional elements to take account of the treatment of "sensitive" products under the free trade agreements. Thus there are ceilings on the import into Greece of the paper products which are subject to ceilings according to the free trade agreements, the imports being liable to m.f.n. tariff rates once the volume of imports exceeds a certain figure (the "ceiling"). But the special treatment given sensitive products will in any case cease at the end of 1984 (or in the case of Finland 1985).