

EFTA (STOCKHOLM CONVENTION)

CONVENTION ESTABLISHING THE EUROPEAN FREE TRADE ASSOCIATION

This edition incorporates all amendments up to 2 April 2001

2001

THE EUROPEAN FREE TRADE ASSOCIATION

9-11, Rue de Varembe – Geneva

European Free Trade Association

The Legal Instruments

Convention establishing the European Free Trade Association

Decision of the Council relating to the accession of Iceland

Decision of the Council relating to the accession of Liechtenstein

Statute of the EFTA Industrial Development Fund for Portugal

Rules of Procedure of the Council

CONVENTION ESTABLISHING THE EUROPEAN FREE TRADE ASSOCIATION ¹

The Republic of Austria, the Kingdom of Denmark, the Kingdom of Norway, the Portuguese Republic, the Kingdom of Sweden, the Swiss Confederation and the United Kingdom of Great Britain and Northern Ireland; ^{2,3}

Having regard to the Convention for European Economic Co-operation of 16th April, 1948, which established the Organisation for European Economic Cooperation;

Resolved to maintain and develop the co-operation instituted within that Organisation;

Determined to facilitate the early establishment of a multilateral association for the removal of trade barriers and the promotion of closer economic cooperation between the Members of the Organisation for European Economic Cooperation, including the Members of the European Economic Community;

Having regard to the General Agreement on Tariffs and Trade;

Resolved to promote the objectives of that Agreement;

Have agreed as follows:

ARTICLE 1

The Association

1. An international organisation to be known as the European Free Trade Association, hereinafter referred to as "the Association", is hereby established.
2. The Members of the Association, hereinafter referred to as "Member States", shall be the States which ratify this Convention and such other States as may accede to it.
3. The Area of the Association shall be the territories to which this Convention applies.
4. The Institutions of the Association shall be a Council and such other organs as the Council may set up.

¹ Signed at Stockholm on 4th January, 1960. Entered into force on 3rd May, 1960.

² Iceland acceded to the Convention on 1st March, 1970 (see Council Decision No. 17 of 1969 (page Ic/1)); Finland acceded to the Convention on 1st January, 1986 (see Council Decision No. 7 of 1985); Liechtenstein acceded to the Convention on 1st September, 1991 (see Council Decision No. 2 of 1991 (page Li/1)).

³ Denmark and the United Kingdom withdrew from the Convention on 1st January, 1973; Portugal withdrew from the Convention on 1st January, 1986; Austria, Finland and Sweden withdrew from the Convention with effect from January 1995.

ARTICLE 2

Objectives

The objectives of the Association shall be

- (a) to promote in the Area of the Association and in each Member State a sustained expansion of economic activity, full employment, increased productivity and the rational use of resources, financial stability and continuous improvement in living standards,
- (b) to secure that trade between Member States takes place in conditions of fair competition,
- (c) to avoid significant disparity between Member States in the conditions of supply of raw materials produced within the Area of the Association, and
- (d) to contribute to the harmonious development and expansion of world trade and to the progressive removal of barriers to it.

ARTICLE 3

Import duties

1. Member States shall reduce and ultimately eliminate, in accordance with this Article, customs duties and any other charges with equivalent effect, except duties notified in accordance with Article 6 and other charges which fall within that Article, imposed on or in connection with the importation of goods which are eligible for Area tariff treatment in accordance with Article 4. Any such duty or other charge is hereinafter referred to as an "import duty".

2.

- (a) On and after each of the following dates, Member States shall not apply an import duty on any product at a level exceeding the percentage of the basic duty specified against that date ⁴:

1st July,	1960	80 per cent,
1st July,	1961 ⁵	70 per cent,
1st March,	1962 ⁶	60 per cent,
31st October,	1962 ⁷	50 per cent,
31st December,	1963 ⁸	40 per cent,

⁴ Concerning the timetable applying to Iceland see paragraph 1 of Council Decision No. 17 of 1969 (page Ic/1).

⁵ As amended by Council Decision No. 4 of 1961 (16th February, 1961).

⁶ As amended by Council Decision No. 22 of 1961 (21st November, 1961).

⁷ As amended by Council Decision No. 11 of 1962 (22nd June, 1962).

31st December, 1964⁸ 30 per cent,

31st December, 1965⁸ 20 per cent.

- (b) On and after 31st December, 1966^{8, 9}, Member States shall not apply any import duties¹⁰.

3. Subject to Annex A, the basic duty referred to in paragraph 2 of this Article is, in respect of each Member State and in respect of any product, the import duty applied by that Member State to the imports of that product from other Member States on 1st January, 1960¹¹
7.

4. Each Member State declares its willingness to apply import duties at a level below that indicated in paragraph 2 of this Article if it considers that its economic and financial position and the position of the sector concerned so permit.

5. The Council may at any time decide that any import duties shall be reduced more rapidly or eliminated earlier than is provided in paragraph 2 of this Article. Between 1st July, 1960 and 31st December, 1961, the Council shall examine whether it is possible so to decide in respect of import duties applied on some or all goods by some or all of the Member States.

ARTICLE 4

Area tariff treatment

1. For the purposes of this Convention goods shall be accepted as eligible for Area tariff treatment if they are originating products in accordance with the provisions of Annex B¹².

2. Provisions necessary for the administration and effective application of this Article are contained in Annex B and Council Decisions 1.

3. Nothing in this Convention shall prevent a Member State from accepting as eligible for Area tariff treatment any goods imported from the territory of another Member State, provided that the like goods imported from the territory of any Member State are accorded the same treatment.

4. The Council shall from time to time examine in what respect this Convention can be amended in order to ensure the smooth operation of the origin rules and especially to make them simpler and more liberal¹³.

5. The Council may decide to amend the provisions of this Article and of Annex B.

⁸ As amended by Council Decision No. 6 of 1963 (10th May, 1963).

⁹ In the case of Iceland: 1st January, 1980; see paragraph 2 of Council Decision No. 17 of 1969 (page Ic/2).

¹⁰ Concerning Iceland see paragraph 3 of Council Decision No. 17 of 1969 (page Ic/2).

¹¹ In the case of Iceland: 1st January, 1970; see paragraph 4 of Council Decision No. 17 of 1969 (page Ic/3)

¹² As amended by Council Decision No. 1 of 1973 (2nd March, 1973).

¹³ As amended by Council Decision No. 1 of 1973 (2nd March, 1973).

ARTICLE 5

Deflection of trade

1. For the purposes of this Article, trade is said to be deflected when
 - (a) imports of a particular product into the territory of a Member State from the territory of another Member State are increasing,
 - (i) as a result of the reduction or elimination in the importing Member State of duties and charges on that product in accordance with Article 3 or 6, and
 - (ii) because the duties or charges levied by the exporting Member State on imports of raw materials or intermediate products, used in the production of the product in question, are significantly lower than the corresponding duties or charges levied by the importing Member State, and
 - (b) this increase in imports causes or would cause serious injury to production which is carried on in the territory of the importing Member State.
2. The Council shall keep under review the question of deflections of trade and their causes. It shall take such decisions as are necessary in order to deal with the causes of deflection of trade by amending the rules of origin in accordance with paragraph 5 of Article 4 or by such other means as it may consider appropriate.
3. If a deflection of trade of a particularly urgent nature occurs, any Member State may refer the matter to the Council. The Council shall take its decision as quickly as possible, and, in general, within one month. The Council may, by majority decision, authorise interim measures to safeguard the position of the Member State in question. Such measures shall not continue for longer than is necessary for the procedure under paragraph 2 above to take place, and for not more than two months, unless, in exceptional cases, the Council, by majority decision, authorises an extension of this period by not more than two months.
4. A Member State which is considering the reduction of the effective level of its duties or charges on any product not eligible for Area tariff treatment shall, as far as may be practicable, notify the Council not less than thirty days before such reduction comes into effect, and shall consider any representations by other Member States that the reduction is likely to lead to a deflection of trade. Information received under this paragraph shall not be disclosed to any person outside the service of the Association or the Government of any Member State.
5. When considering changes in their duties or charges on any product not eligible for Area tariff treatment, Member States shall have due regard to the desirability of avoiding consequential deflections of trade. In such cases, any Member State which considers that trade is being deflected may refer the matter to the Council in accordance with Article 31.
6. If, in the consideration of any complaint in accordance with Article 31, reference is made to a difference in the level of duties or charges on any product not eligible for Area tariff treatment, that difference shall be taken into account only if the Council finds by majority vote that there is a deflection of trade.

7. The Council shall review from time to time the provisions of this Article and may decide to amend those provisions.

ARTICLE 6

Revenue duties and internal taxation

1. Member States shall not
 - (a) apply directly or indirectly to imported goods any fiscal charges in excess of those applied directly or indirectly to like domestic goods, nor otherwise apply such charges so as to afford effective protection to like domestic goods, or
 - (b) apply fiscal charges to imported goods of a kind which they do not produce, or which they do not produce in substantial quantities, in such a way as to afford effective protection to the domestic production of goods of a different kind which are substitutable for the imported goods, which enter into direct competition with them and which do not bear directly or indirectly, in the country of importation, fiscal charges of equivalent incidence, and shall give effect to these obligations in the manner laid down in paragraphs 2 and 3 of this Article.

2. Member States shall not introduce new fiscal charges which are inconsistent with paragraph 1 of this Article, and shall not vary an existing fiscal charge in such a way as to increase, above the level in force on the date by reference to which the basic duty is determined in accordance with paragraph 3 of Article 3, any effective protective element in the fiscal charge, that is to say, the extent to which that charge is inconsistent with paragraph 1 of this Article.

3.
 - (a) In the case of any internal tax or other internal charge, Member States shall eliminate any effective protective element on or before 1st January, 1962¹⁴.
 - (b) In the case of any revenue duty, Member States shall either
 - (i) progressively eliminate any effective protective element in the duty by successive reductions corresponding to those prescribed for import duties in Article 3, or
 - (ii) eliminate any effective protective element in the duty on or before 1st January, 1965¹⁵.
 - (c) Each Member State shall, on or before 1st July, 1960¹⁶, notify to the Council any duty to which it will apply the provisions of subparagraph (b)(ii) of this paragraph.

¹⁴ *In the case of Iceland: 1st January, 1972; see paragraph 5(a) of Council Decision No. 17 of 1969 (page Ic/3).*

¹⁵ *In the case of Iceland: 1st January, 1975; see paragraph 5(b) of Council Decision No. 17 of 1969 (page Ic/3).*

¹⁶ *In the case of Iceland: 1st July, 1970; see paragraph 5(c) of Council Decision No. 17 of 1969*

4. Each Member State shall notify to the Council all fiscal charges applied by it where the rates of charge, or the conditions governing the imposition or collection of the charge, are not identical in relation to the imported goods and to the like domestic goods, as soon as the Member State applying the charge considers that the charge is, or has been made, consistent with sub-paragraph (a) of paragraph 1 of this Article. Each Member State shall, at the request of any other Member State, supply information about the application of paragraphs 1, 2 and 3 of this Article.

5. Each Member State shall notify to the Council the revenue duties to which it intends to apply the provisions of this Article.

6. For the purposes of this Article:

- (a) "fiscal charges" means revenue duties, internal taxes and other internal charges on goods;
- (b) "revenue duties" means customs duties and other similar charges applied primarily for the purpose of raising revenue;
- (c) "imported goods" means goods which are accepted as being eligible for Area tariff treatment in accordance with the provisions of Article 4.

ARTICLE 7¹⁷

Drawback

1. The provisions on drawback are contained in Annex B.
2. In applying this Article each Member State shall accord the same treatment to imports from the territories of all Member States.
3. The Council may decide to amend the provisions of this Article or of Annex B, and may decide that further or different provisions relating to drawback shall be applied either generally or to certain goods or in certain circumstances.

ARTICLE 8

Prohibition of export duties

1. Member States shall not introduce or increase export duties, and, on and after 1st January, 1962, shall not apply any such duties.
2. The provisions of this Article shall not prevent any Member State from taking such measures as are necessary to prevent evasion, by means of re-export, of duties which it applies to exports to territories outside the Area of the Association.
3. For the purposes of this Article, "export duties" means any duties or charges with equivalent effect, imposed on or in connection with the exportation of goods from the territory of any Member State to the territory of any other Member State.

(page 1c/3).

¹⁷ As amended by Council Decision No. 12 of 1977 (13th December, 1977).

ARTICLE 9

Co-operation in customs-related matters

1. Member States shall take appropriate measures, including arrangements regarding administrative co-operation, to ensure that the provisions of Articles 3 to 7 and of Annexes A and B are effectively and harmoniously applied, taking account of the need to reduce as far as possible the formalities imposed on trade and of the need to achieve mutually satisfactory solutions of any difficulties arising out of the operation of those provisions.
2. Member States shall assist each other in customs matters in general in accordance with the provisions of Annex I in order to ensure that their customs legislation is correctly applied.
3. Annex I shall apply to all products whether or not covered by the provisions of this Convention.
4. The Council may decide to amend the provisions of Annex I.¹⁸

ARTICLE 10

Quantitative import restrictions

1. Member States shall not introduce or intensify quantitative restrictions on imports of goods from the territory of other Member States.
2. Member States shall eliminate such quantitative restrictions as soon as possible and not later than 31st December, 1966^{19,20}.
3. Each Member State shall relax quantitative restrictions progressively and in such a way that a reasonable rate of expansion of trade as a result of the application of Articles 3 and 6 is not frustrated and that no burdensome problems are created for the Member State concerned in the years immediately preceding 1st January, 1967^{19, 21}.
4. Each Member State shall apply the provisions of this Article in such a way that all other Member States are given like treatment.
5. On 1st July, 1960²², Member States shall establish for all goods subject to quantitative restriction global quotas of a size not less than 20 per cent above the corresponding basic quotas. In the case of quotas which may be available also to States which are not Members, the global quotas shall include, in addition to the basic quotas increased by

¹⁸ As amended by Council Decision No. 3 (Rev.) of 1997 (19 June 1997).

¹⁹ As amended by Council Decision No. 7 of 1963 (10th May, 1963).

²⁰ In the case of Iceland: 31st December, 1974; see paragraph 6(a) of Council Decision No. 17 of 1969 (page Ic/3).

²¹ In the case of Iceland: 1st January, 1975; see paragraph 6(b) of Council Decision No. 17 of 1969 (page Ic/3).

²² In the case of Iceland: 1st March, 1970; see paragraph 6(c) of Council Decision No. 17 of 1969 (page Ic/3).

not less than 20 per cent, an amount not less than the total of the imports from such States in the calendar year 1959²³.

6. If a basic quota is nil or negligible, Member States shall ensure that the quota to be established on 1st July, 1960²⁴, is of appropriate size. Before or after the establishment of any such quota, any Member State may initiate consultations about its appropriate size.

7. On 1st July, 1961, and on 1st July in each succeeding year²⁵, Member States shall increase each quota established in accordance with paragraphs 5 and 6 of this Article by not less than 20 per cent of an amount equivalent to the basic quota as already increased pursuant to this Article.

8. If any Member State considers that the application of paragraphs 5 to 7 of this Article to a product would cause it serious difficulties, that Member State may propose to the Council alternative arrangements for that product. The Council may, by majority decision, authorise that Member State to adopt such alternative arrangements as the Council considers appropriate.

9. Member States shall notify to the Council details of the quotas established in accordance with the provisions of this Article.

10. The Council shall, not later than 31st December, 1961, and from time to time thereafter, review the provisions of this Article and the progress made by Member States in the application of its provisions, and may decide that further or different provisions are to be applied.

11. For the purposes of this Article:

- (a) "quantitative restrictions" means prohibitions or restrictions on imports from the territory of other Member States whether made effective through quotas, import licences or other measures with equivalent effect, including administrative measures and requirements restricting import;
- (b) "basic quota" means any quota or the total of any quotas which have been established, together with the total of any imports which are otherwise subject to quantitative restriction, in respect of goods imported from the territory of other Member States in the calendar year 1959³; or in the case of global quotas which are open to States which are not Members, the total of the imports under such quotas from Member States in the calendar year 1959²⁶;
- (c) "global quota" means a quota under which licences or other authorities to import allow the holders to import any of the products covered by quota from all Member States and other States to which the quota applies.

²³ In the case of Iceland : 1969; see paragraph 6(d) of Council Decision No. 17 of 1969 (page Ic/3).

²⁴ In the case of Iceland: 1st March, 1970; see paragraph 6(e) of Council Decision No. 17 of 1969 (page Ic/4).

²⁵ In the case of Iceland: On 1st January, 1971, and on 1st January in each succeeding year; see paragraph 6(f) of Council Decision No. 17 of 1969 (page Ic/4).

²⁶ In the case of Iceland: 1969; see paragraph 6(g) of Council Decision No. 17 of 1969 (page Ic/4).

ARTICLE 11

Quantitative export restrictions

1. Member States shall not introduce or intensify prohibitions or restrictions on exports to other Member States, whether made effective through quotas or export licences or other measures with equivalent effect, and shall eliminate any such prohibitions or restrictions not later than 31st December, 1961.
2. The provisions of this Article shall not prevent any Member State from taking such measures as are necessary to prevent evasion, by means of re-export, of restrictions which it applies to exports to territories outside the Area of the Association.

ARTICLE 12

Exceptions

Provided that such measures are not used as a means of arbitrary or unjustifiable discrimination between Member States or as a disguised restriction on trade between Member States, nothing in Articles 10 and 11 shall prevent the adoption or enforcement by any Member State of measures,

- (a) necessary to protect public morals,
- (b) necessary for the prevention of disorder or crime,
- (c) necessary to protect human, animal or plant life or health,
- (d) necessary to secure compliance with laws or regulations relating to customs enforcement, or to the classification, grading or marketing of goods, or to the operation of monopolies by means of state enterprises or enterprises given exclusive or special privileges,
- (e) necessary to protect industrial property or copyrights or to prevent deceptive practices,
- (f) relating to gold or silver,
- (g) relating to the products of prison labour, or
- (h) imposed for the protection of national treasures of artistic, historic or archaeological value.

ARTICLE 12bis²⁷

Notification of draft technical regulations

1. Member States shall notify to the Council at the earliest practicable stage all draft technical regulations and certification systems or amendments thereto.

²⁷ Introduced by Council Decision No. 15 of 1987 (14th December, 1987) and entered into force 1st July, 1988.

2. A notification procedure is hereby established, the details of which are contained in Annex H.
3. The Council may decide to amend the provisions of this Article and those of Annex H.

ARTICLE 13

Government aids

1. Member States shall not maintain or introduce
 - (a) the forms of aid to exports of goods to other Member States which are described in Annex C, or
 - (b) any other form of aid, the main purpose or effect of which is to frustrate the benefits expected from the removal or absence of duties and quantitative restrictions on trade between Member States.
2. If the application of any form of aid by a Member State, although not contrary to paragraph 1 of this Article, frustrates the benefits expected from the removal or absence of duties and quantitative restrictions on trade between Member States and provided that the procedure set out in paragraphs 1 to 3 of Article 31 has been followed, the Council may, by majority decision, authorise any Member State to suspend to the Member State which is applying the aid, the application of such obligations under this Convention as the Council considers appropriate.
3. The Council may decide to amend the provisions of this Article and of Annex C.

ARTICLE 14

Public undertakings

1. Member States shall ensure the progressive elimination, during the period from 1st July, 1960 to 31st December, 1966²⁸, in the practices of public undertakings, of
 - (a) measures the effect of which is to afford protection to domestic production which would be inconsistent with this Convention if achieved by means of a duty or charge with equivalent effect, quantitative restriction or government aid, or
 - (b) trade discrimination on grounds of nationality in so far as it frustrates the benefits expected from the removal or absence of duties and quantitative restrictions on trade between Member States.
2. In so far as the provisions of Article 15 are relevant to the activities of public undertakings, that Article shall apply to them in the same way as it applies to other enterprises.
3. Member States shall ensure that new practices of the kind described in paragraph 1 of this Article are not introduced.

²⁸ As amended by Council Decision No. 10 of 1963 (10th May, 1963).

4. Where Member States do not have the necessary legal powers to control the activities of regional or local government authorities or enterprises under their control in these matters, they shall nevertheless endeavour to ensure that those authorities or enterprises comply with the provisions of this Article.

5. The Council shall keep the provisions of this Article under review and may decide to amend them.

6. For the purposes of this Article, "public undertakings" means central, regional, or local government authorities, public enterprises and any other organisation by means of which a Member State, by law or in practice, controls or appreciably influences imports from, or exports to, the territory of a Member State.

ARTICLE 15

Restrictive business practices

1. Member States recognise that the following practices are incompatible with this Convention in so far as they frustrate the benefits expected from the removal or absence of duties and quantitative restrictions on trade between Member States:

- (a) agreements between enterprises, decisions by associations of enterprises and concerted practices between enterprises which have as their object or result the prevention, restriction or distortion of competition within the Area of the Association;
- (b) actions by which one or more enterprises take unfair advantage of a dominant position within the Area of the Association or a substantial part of it.

2. If any practice of the kind described in paragraph 1 of this Article is referred to the Council in accordance with Article 31, the Council may, in any recommendation in accordance with paragraph 3 or in any decision in accordance with paragraph 4 of that Article, make provision for publication of a report on the circumstances of the matter.

3.

- (a) In the light of experience gained, the Council shall consider not later than 31st December, 1964, and may consider at any time thereafter, whether further or different provisions are necessary to deal with the effects of restrictive business practices or dominant enterprises on trade between Member States.
- (b) Such review shall include consideration of the following matters:
 - (i) specification of the restrictive business practices or dominant enterprises with which the Council should be concerned;
 - (ii) methods of securing information about restrictive business practices or dominant enterprises;
 - (iii) procedures for investigations;

- (iv) whether the right to initiate inquiries should be conferred on the Council.
- (c) The Council may decide to make the provisions found necessary as a result of the review envisaged in sub-paragraphs (a) and (b) of this paragraph.

ARTICLE 16

Establishment

1. Member States recognise that restrictions on the establishment and operation of economic enterprises in their territories by nationals of other Member States should not be applied, through accord to such nationals of treatment which is less favourable than that accorded to their own nationals in such matters, in such a way as to frustrate the benefits expected from the removal or the absence of duties and quantitative restrictions on trade between Member States.
2. Member States shall not apply new restrictions in such a way that they conflict with the principle set out in paragraph 1 of this Article.
3. Member States shall notify to the Council, within such period as the Council may decide, particulars of any restrictions which they apply in such a way that nationals of another Member State are accorded in their territories less favourable treatment in respect of the matters set out in paragraph 1 of this Article than is accorded to their own nationals.
4. The Council shall consider not later than 31st December, 1964, and may consider at any time thereafter, whether further or different provisions are necessary to give effect to the principles set out in paragraph 1 of this Article, and may decide to make the necessary provisions.
5. Nothing in this Article shall prevent the adoption and enforcement by a Member State of measures for the control of entry, residence, activity and departure of aliens where such measures are justified by reasons of public order, public health or morality, or national security, or for the prevention of a serious imbalance in the social or demographic structure of that Member State.
6. For the purposes of this Article:
 - (a) "nationals" means, in relation to a Member State,
 - (i) physical persons who have the nationality of that Member State, and
 - (ii) companies and other legal persons constituted in the territory of that Member State in conformity with the law of that State and which that State regards as having its nationality, provided that they have been formed for gainful purposes and that they have their registered office and central administration, and carry on substantial activity, within the Area of the Association;
 - (b) "economic enterprises" means any type of economic enterprise for production of or commerce in goods which are of Area origin, whether conducted by physical persons or through agencies, branches or companies or other legal persons.

ARTICLE 17

Dumped and subsidised imports

1. Nothing in this Convention shall prevent any Member State from taking action against dumped or subsidised imports consistently with its other international obligations.
2. Any products which have been exported from the territory of one Member State to the territory of another Member State and have not undergone any manufacturing process since exportation shall, when re-imported into the territory of the first Member State, be admitted free of quantitative restrictions and measures with equivalent effect. They shall also be admitted free of customs duties and charges with equivalent effect, except that any allowance by way of drawback, relief from duty or otherwise, given by reason of the exportation from the territory of the first Member State, may be recovered.
3. If any industry in the territory of any Member State is suffering or is threatened with material injury as the result of the import of dumped or subsidised products into the territory of another Member State, the latter Member State shall, at the request of the former Member State, examine the possibility of taking such action as is consistent with its international obligations to remedy the injury or prevent the threatened injury.

ARTICLE 18

Security exceptions

1. Nothing in this Convention shall prevent any Member State from taking action which it considers necessary for the protection of its essential security interests, where such action
 - (a) is taken to prevent the disclosure of information,
 - (b) relates to trade in arms, ammunition or war materials or to research, development or production indispensable for defence purposes, provided that such action does not include the application of import duties or the quantitative restriction of imports except in so far as such restriction is permitted in accordance with Article 12 or is authorised by decision of the Council,
 - (c) is taken to ensure that nuclear materials and equipment made available for peaceful purposes do not further military purposes, or
 - (d) is taken in time of war or other emergency in international relations.
2. Nothing in this Convention shall prevent any Member State from taking action to carry out undertakings into which that Member State has entered for the purpose of maintaining international peace and security.

ARTICLE 19

Balance of payments difficulties

1. Notwithstanding the provisions of Article 10, any Member State may, consistently with its other international obligations, introduce quantitative restrictions on imports for the purpose of safeguarding its balance of payments.

2. Any Member State taking measures in accordance with paragraph 1 of this Article shall notify them to the Council, if possible before they come into force. The Council shall examine the situation and keep it under review and may at any time, by majority vote, make recommendations designed to moderate any damaging effect of these restrictions or to assist the Member State concerned to overcome its difficulties. If the balance of payments difficulties persist for more than eighteen months and the measures applied seriously disturb the operation of the Association, the Council shall examine the situation and may, taking into account the interests of all Member States, by majority decision, devise special procedures to attenuate or compensate for the effect of such measures.

3. A Member State which has taken measures in accordance with paragraph 1 of this Article shall have regard to its obligation to resume the full application of Article 10 and shall, as soon as its balance of payments situation improves, make proposals to the Council on the way in which this should be done. The Council, if it is not satisfied that these proposals are adequate, may, by majority vote, recommend to the Member State alternative arrangements to the same end.

ARTICLE 20²⁹

Difficulties in particular sectors

1. If, in the territory of a Member State,
 - (a) unforeseen and serious difficulties arise or threaten to arise in a particular sector of industry or region, and
 - (b) to remedy the situation the enforcement of measures which derogate from the Convention or from decisions or agreements reached under the Convention is required, that Member State may, if so authorised by prior decision of the Council, temporarily apply such measures in accordance with terms and conditions which the Council may include in its decision. The Council shall take this decision as soon as possible.
2. Such measures shall be applied for a period of not more than eighteen months unless the Council decides on an extension.
3. If, in order to avoid a rapid deterioration of the situation, immediate application of measures is indispensable, the Council shall, upon request of the Member State concerned and without prejudice to subsequent decisions by the Council, decide within fifteen days after the matter has been referred to it what measures that Member State may apply immediately. The request shall demonstrate the urgency of and necessity for such measures.
4. A Member State applying measures according to paragraph 1 or 3 of this Article shall report to the Council on the operation and effects of these measures. The Council may at any time consider these measures and make recommendations designed to moderate any damaging effect of the measures or to assist the Member State concerned to overcome its difficulties.
5. When considering what measures may be applied according to paragraph 1 or 3 of this Article preference shall be given to measures which will allow the pursuance of the objectives of the Association and the maintenance of the trade benefits of other Member States.

²⁹ As amended by Council Decision No. 15 of 1970 (3rd December, 1970).

6. Measures authorised in accordance with paragraph 1 or 3 of this Article shall be applied in such a way as to give like treatment to all Member States, unless the Council decides otherwise.

7. Decisions of the Council under paragraphs 1 and 3 of this Article concerning import duties, quantitative import restrictions and other measures with similar effect, as well as recommendations referred to in paragraph 4 of this Article, shall be made by majority vote.

ARTICLE 21

Agricultural goods

1. In view of the special considerations affecting agriculture, the agricultural goods and the goods processed from agricultural raw materials listed in Annex D shall be subject to the following rules 1:

- (a) In relation to the goods listed in Part I of Annex D the provisions of this Convention, except Articles 22 to 28, shall apply ³⁰.
- (b) In relation to the goods listed in Part II or in Part III of Annex D none of the provisions in the foregoing Articles of this Convention, except Articles 1, 12bis and 17, shall apply. The provisions referred to in paragraph 2 shall apply to such goods ³¹.
- (c) Notwithstanding the provisions referred to in sub-paragraph (a) any Member State may apply price compensation measures in relation to goods listed in Part I of Annex D. Such compensation measures shall not exceed the differences between the domestic price and the world market price of the agricultural raw materials incorporated into such goods. The price compensation measures may consist in:
 - (i) the levying, upon import, of a variable component or fixed amount, or the application of internal price compensation measures;
 - (ii) the application of measures adopted upon export 1.
- (d) No Member State shall accord to imports of goods listed in Part I or in Part II of Annex D from the territory of another Member State treatment less favourable than it accords to imports from the territory of a State in relation to which a Free Trade Agreement concluded by that Member State applies ³².
- (e) All price compensation measures applied in relation to goods listed in Parts I and II of Annex D and all amendments to such measures shall be notified to the Council before they are introduced. The notification shall contain appropriate information on the compensation measures. Any Member State may request an examination of such measures in the light of the foregoing provisions ³².

The Council may decide to amend the provisions of this paragraph and Annex D.

³⁰ As amended by Council Decision No. 6 of 1973 (15th March, 1973).

³¹ As amended by Council Decision No. 15 of 1987 (14th December, 1987).

³² As amended by Council Decision No. 6 of 1973 (15th March, 1973).

2. The special provisions which shall apply in relation to those agricultural goods are set out in Articles 22 to 25.

ARTICLE 22

Agricultural policies and objective

1. In regard to agriculture, Member States recognise that the policies pursued by them are designed
 - (a) to promote increased productivity and the rational and economic development of production,
 - (b) to provide a reasonable degree of market stability and adequate supplies to consumers at reasonable prices, and
 - (c) to ensure an adequate standard of living to persons engaged in agriculture.

In pursuing these policies, Member States shall have due regard to the interests of other Member States in the export of agricultural goods and shall take into consideration traditional channels of trade.

2. Having regard to these policies, the objective of the Association shall be to facilitate an expansion of trade which will provide reasonable reciprocity to Member States whose economies depend to a great extent on exports of agricultural goods.

ARTICLE 23

Agricultural agreements between Member States

1. In pursuit of the objective set out in paragraph 2 of Article 22 and as a foundation for their co-operation in respect of agriculture, certain Member States have concluded agreements setting out measures to be taken, including the elimination of customs duties on some agricultural goods, in order to facilitate the expansion of trade in agricultural goods. In so far as any two or more Member States may at a later date conclude such agreements, they shall inform the other Member States before the agreements take effect.

2. Agreements concluded in accordance with paragraph 1 of this Article, and any agreement modifying these agreements which is made by the parties to them, shall remain in force as long as this Convention. Copies of such agreements shall be transmitted immediately after signature to the other Member States, and a certified copy shall be deposited with the Depository³³.

3. Any provisions regarding tariffs contained in such agreements shall apply in favour of all other Member States, and the benefit of those provisions shall not, as a result of any modification, be withdrawn from Member States without the consent of all of them.

³³ As amended by Council Decision No. 3 of 1995 (19th January, 1995); entered into force on 17th November 1995.

ARTICLE 24

Export subsidies on agricultural goods

1. A Member State shall not cause damage to the interests of other Member States by granting directly or indirectly any subsidy on a product listed in Annex D which results in an increase of that Member State's exports of that product compared with the exports which that Member State had in the product in question in a recent representative period.
2. It shall be the object of the Council, before 1st January, 1962, to establish rules for the gradual abolition of subsidised exports detrimental to other Member States.
3. The exemption of an exported product from duties, taxes or other charges borne by the like product when destined for domestic consumption or the remission of such duties, taxes or other charges in amounts not in excess of those which have accrued, shall not be deemed to be a subsidy for the purpose of this Article.

ARTICLE 25

Consultations on trade in agricultural goods

The Council shall keep the provisions of Articles 21 to 25 under review, and it shall once a year consider the development of trade in agricultural goods within the Area of the Association. The Council shall consider what further action shall be taken in pursuit of the objective set out in Article 22.

ARTICLE 26

Fish and other marine products

1. The provisions of this Convention shall apply in relation to fish and other marine products. Transitional arrangements applicable to these products are laid down in Annex E.
2. The Council may decide to amend the provisions of Annex E ³⁴.

ARTICLE 27 ³⁵ARTICLE 28 ³⁵

ARTICLE 29

Invisible transactions and transfers

Member States recognise the importance of invisible transactions and transfers for the proper functioning of the Association. They consider that the obligations with regard to the freedom of such transactions and transfers undertaken by them in other international organisations are sufficient at present. The Council may decide on such further provisions with regard to such transactions and transfers as may prove desirable, having due regard to the wider international obligations of Member States.

³⁴ As amended by Council Decision No. 6 of 1989 (14th June, 1989).

³⁵ Articles 27 and 28 were deleted by Council Decision No. 6 of 1989 (14th June, 1989).

ARTICLE 30

Economic and financial policies

Member States recognise that the economic and financial policies of each of them affect the economies of other Member States and intend to pursue those policies in a manner which serves to promote the objectives of the Association. They shall periodically exchange views on all aspects of those policies. In so doing, they shall take into account the corresponding activities within the Organisation for European Economic Co-operation and other international organisations. The Council may make recommendations to Member States on matters relating to those policies to the extent necessary to ensure the attainment of the objectives and the smooth operation of the Association.

ARTICLE 31

General consultations and complaints procedure

1. If any Member State considers that any benefit conferred upon it by this Convention or any objective of the Association is being or may be frustrated and if no satisfactory settlement is reached between the Member States concerned, any of those Member States may refer the matter to the Council.

2. The Council shall promptly, by majority vote, make arrangements for examining the matter. Such arrangements may include a reference to an examining committee constituted in accordance with Article 33. Before taking action under paragraph 3 of this Article, the Council shall so refer the matter at the request of any Member State concerned. Member States shall furnish all information which they can make available and shall lend their assistance to establish the facts.

3. When considering the matter, the Council shall have regard to whether it has been established that an obligation under the Convention has not been fulfilled, and whether and to what extent any benefit conferred by the Convention or any objective of the Association is being or may be frustrated. In the light of this consideration and of the report of any examining committee which may have been appointed, the Council may, by majority vote, make to any Member State such recommendations as it considers appropriate.

4. If a Member State does not or is unable to comply with a recommendation made in accordance with paragraph 3 of this Article and the Council finds, by majority vote, that an obligation under this Convention has not been fulfilled, the Council may, by majority decision, authorise any Member State to suspend to the Member State which has not complied with the recommendation the application of such obligations under this Convention as the Council considers appropriate.

5. Any Member State may, at any time while the matter is under consideration, request the Council to authorise, as a matter of urgency, interim measures to safeguard its position. If it appears to the Council that the circumstances are sufficiently serious to justify interim action, and without prejudice to any action which it may subsequently take in accordance with the preceding paragraphs of this Article, the Council may, by majority decision, authorise a Member State to suspend its obligation under this Convention to such an extent and for such a period as the Council considers appropriate.

ARTICLE 32

The Council

1. It shall be the responsibility of the Council
 - (a) to exercise such powers and functions as are conferred upon it by this Convention,
 - (b) to supervise the application of this Convention and keep its operation under review, and
 - (c) to consider whether further action should be taken by Member States in order to promote the attainment of the objectives of the Association and to facilitate the establishment of closer links with other States, unions of States or international organisations.
2. Each Member State shall be represented in the Council and shall have one vote.
3. The Council may decide to set up such organs, committees and other bodies as it considers necessary to assist it in accomplishing its tasks.
4. In exercising its responsibility under paragraph 1 of this Article, the Council may take decisions which shall be binding on all Member States and may make recommendations to Member States.
5. Decisions and recommendations of the Council shall be made by unanimous vote, except in so far as this Convention provides otherwise. Decisions or recommendations shall be regarded as unanimous unless any Member State casts a negative vote. Decisions and recommendations which are to be made by majority vote require the affirmative vote of three³⁶ Member States.
6. If the number of the Member States changes, the Council may decide to amend the number of votes required for decisions and recommendations which are to be made by majority vote.

ARTICLE 33

Examining Committees

The Examining Committees referred to in Article 31 shall consist of persons selected for their competence and integrity, who, in the performance of their duties, shall neither seek nor receive instructions from any State, or from any authority or organisation other than the Association. They shall be appointed by the Council on such terms and conditions as it shall decide.

³⁶ As amended by Council Decisions No. 12 of 1972 (8th November, 1972) and No. 2 of 1995 (12th January, 1995).

ARTICLE 34

Administrative arrangements of the Association

The Council shall take decisions for the following purposes:

- (a) to lay down the Rules of Procedure of the Council and of any other bodies of the Association, which may include provision that procedural questions may be decided by majority vote;
- (b) to make arrangements for the secretariat services required by the Association;
- (c) to establish the financial arrangements necessary for the administrative expenses of the Association, the procedure for establishing a budget and the apportionment of those expenses between the Member States.

ARTICLE 35

Legal capacity, privileges and immunities

1. The legal capacity, privileges and immunities to be recognised and granted by the Member States in connection with the Association shall be laid down in a Protocol to this Convention.
2. The Council, acting on behalf of the Association, may conclude with the Government of the State in whose territory the headquarters will be situated an agreement relating to the legal capacity and the privileges and immunities to be recognised and granted in connection with the Association.

ARTICLE 36

Relations with international organisations

The Council, acting on behalf of the Association, shall seek to establish such relationships with other international organisations as may facilitate the attainment of the objectives of the Association. It shall in particular seek to establish close collaboration with the Organisation for European Economic Cooperation.

ARTICLE 37

Obligations under other international agreements

Nothing in this Convention shall be regarded as exempting any Member State from obligations which it has undertaken by virtue of the Convention for European Economic Cooperation, the Articles of Agreement of the International Monetary Fund, the General Agreement on Tariffs and Trade and other international agreements to which it is a party.

ARTICLE 38

Annexes

The Annexes to this Convention are an integral part of it and are the following:

Annex A	Basic duties
Annex B	Provisions relating to the eligibility of goods for Area tariff treatment ³⁷
Annex C	List of government aids referred to in paragraph 1 of Article 13
Annex D	Lists of agricultural goods and goods processed from agricultural raw materials referred to in paragraph 1 of Article 21
Annex E	Transitional arrangements applicable to fish and other marine products
Annex F	List of territories to which paragraph 2 of Article 43 applies
Annex G	Special arrangements for Portugal in regard to import duties and quantitative export restrictions
Annex H	Procedure for the notification of draft technical regulations
Annex I	Agreement on mutual administrative assistance in customs matters. ³⁸

ARTICLE 39

Ratification

1. This Convention shall be ratified by the signatory States. The instruments of ratification shall be deposited with the Government of Sweden which shall notify all other signatory States.
2. The Government of Norway shall act as Depositary as of 17 November 1995.³⁹

ARTICLE 40

Entry into force

This Convention shall enter into force on the deposit of instruments of ratification by all signatory States.

ARTICLE 41

Accession and association

1. Any State may accede to this Convention, provided that the Council decides to approve its accession, on such terms and conditions as may be set out in that decision. The instrument of accession shall be deposited with the Depositary³⁹ which shall notify all other

³⁷ *Annex B* was replaced by Council Decision No. 5 of 1996 (16 December 1996) and has since been entitled *Annex B on Rules of Origin*.

³⁸ *Annex I* was introduced by Council Decision No. 3 (Rev.) of 1997 (19 June 1997); entered into force on 2 February 2000.

³⁹ As amended by Council Decision No. 3 of 1995 (19th January, 1995); entered into force on 17th November 1995.

Member States. This Convention shall enter into force in relation to an acceding State on the date indicated in that decision.

2. The Council may negotiate an agreement between the Member States and any other State, union of States or international organisation, creating an association embodying such reciprocal rights and obligations, common actions and special procedures as may be appropriate. Such an agreement shall be submitted to the Member States for acceptance and shall enter into force provided that it is accepted by all Member States. Instruments of acceptance shall be deposited with the Depository² which shall notify all other Member States.

ARTICLE 42

Withdrawal

Any Member State may withdraw from this Convention provided that it gives twelve months' notice in writing to the Depository⁴⁰ which shall notify all other Member States.

ARTICLE 43

Territorial application

1. In relation to Member States which are signatories, this Convention shall apply to the European territories of Member States and the European territories for whose international relations a Member State is responsible, other than those listed in Annex F.

2. This Convention shall apply to the territories listed in Annex F, if the Member State which is responsible for their international relations so declares at the time of ratification or at any time thereafter.

3. In relation to a Member State which accedes to this Convention in accordance with paragraph 1 of Article 41, this Convention shall apply to the territories specified in the decision approving the accession of that State.

4. Member States recognise that certain Member States may wish to propose at a later date that the application of this Convention should be extended to those of their territories and the territories for whose international relations they are responsible to which it does not already apply, on terms and conditions then to be determined, and that arrangements creating reciprocal rights and obligations in relation to those territories should be established.

5. In that event, in order to give effect to paragraph 4, there shall, in due course, be consultations among all Member States. The Council may decide to approve the terms and conditions in accordance with which the application of this Convention may be extended to those territories and may decide to approve the specific terms and conditions of such arrangements.

6. If a territory, for whose international relations a Member State is responsible and to which this Convention applies, becomes a sovereign State, the provisions of this Convention applicable to that territory shall, if the new State so requests, continue to apply it. The new State shall have the right to participate in the work of the institutions of the Association and,

⁴⁰ As amended by Council Decision No. 3 of 1995 (19th January, 1995); entered into force on 17th November 1995.

in agreement with the new State, the Council shall take the decisions necessary for adopting arrangements to give effect to such participation. The Convention shall continue to apply to the new State on this basis either until its participation ceases in the same manner as that provided with regard to a Member State or, if its accession as a Member State is approved in accordance with paragraph 1 of Article 41, until that accession becomes effective.

7. The application of this Convention to any territory pursuant to paragraphs 2, 3 or 5 of this Article may be terminated by the Member State in question provided that it gives twelve months' notice in writing.

8. Declarations and notifications made in accordance with this Article shall be made to the Depositary 1 which shall notify all other Member States.

ARTICLE 44

Amendment

Except where provision for modification is made elsewhere in this Convention, including the Annexes to it, an amendment to the provisions of this Convention shall be submitted to Member States for acceptance if it is approved by decision of the Council, and it shall enter into force provided it is accepted by all Member States. Instruments of acceptance shall be deposited with the Depositary ⁴¹1 which shall notify all other Member States.

IN WITNESS WHEREOF the undersigned, duly authorised thereto, have signed the present Convention.

DONE at Stockholm this 4th day of January, 1960, in a single copy in the English and French languages, both texts being equally authentic, which shall be deposited with the Government of Sweden, by which certified copies shall be transmitted to all other signatory and acceding States.

⁴¹ As amended by Council Decision No. 3 of 1995 (19th January, 1995); entered into force on 17th November 1995.