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OF THE EUROPEAN FREE
TRADE ASSOCIATION





Annual Report of the European Free Trade Association 2006

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For basic information on EFTA, please see the publication "This is EFTA". Further information can also be found on our website: <http://secretariat.efta.int/>

Dear Reader,

During the past year EFTA has proved its worth as an indispensable organisation for implementing trade policy priorities of the Member States. In 2006, EFTA conducted free trade negotiations with a range of partner countries and continued to develop its close relations with the European Union through the European Economic Area (EEA) Agreement.

Two particularly positive developments have been the revival of outstanding free trade negotiations with Egypt - delayed for years before its conclusion in 2006 and Canada - resumed in 2006 after six years.

Furthermore, negotiations on a free trade agreement between EFTA and the Gulf Cooperation Council (GCC) commenced in 2006 and good progress was made during the two first rounds.

The increasing economic importance of Asia is also reflected in EFTA's priorities. It is of particular significance that the EFTA Ministers and India's Minister for Commerce and Industry launched a Joint Feasibility Study in December 2006. The study may lead to negotiations on a comprehensive economic agreement. This would be an important addition to the free trade agreement with Korea, which entered into force on 1 September 2006. EFTA also worked on a joint study with Indonesia that assesses the possibility for opening trade negotiations.

The EFTA Member States are strongly committed to the WTO and the successful conclusion of the Doha Round. The policy of negotiating free trade agreements is based on, and also aims at, strengthening the multilateral trading system, as well as securing non-discrimination and preferential treatment for EFTA's economic operators.

The other main field of EFTA's activities is managing the EEA Agreement. This agreement remains central for Iceland's, Liechtenstein's and Norway's economic relations with the European Union, as it secures their participation in the Internal Market. This involves incorporating new internal market legislation into the

EEA Agreement. Swiss experts can also take part in the EFTA EEA work as observers, which in turn benefits Switzerland in the administration of its bilateral agreements with the EU.

Notable progress was made by ensuring EEA EFTA participation in the European Food Safety Authority and regarding the incorporation of the Directive on Greenhouse Gas Emission Trading Scheme.



EEA EFTA participation in relevant EU programmes continued to play an important role in 2006. This visible aspect of EEA cooperation benefits a high number of students, researchers, organisations and companies. In 2006, the EEA EFTA States contributed significantly to these programmes. Switzerland also participates in many of the EU programmes through its bilateral agreements with the EU.

The Financial Mechanisms were fully operational in 2006. These funds support social and economic cohesion within the enlarged EEA. Bulgaria and Romania joined the European Union on 1 January 2007. Negotiations on a parallel extension of the EEA and financial contributions also to these countries commenced in 2006 but were not finalised by the end of the year.

In a time of rapid globalisation, the role of EFTA, and therefore the efficiency of the EFTA Secretariat, is of increasing importance. Together with the two Deputy Secretaries-General I am actively working on further integrating and strengthening the coordination of the various parts of the organisation in Geneva and Brussels.

Kåre Bryn

A handwritten signature in blue ink that reads "Kåre Bryn". The signature is written in a cursive, slightly stylized font.

Secretary-General

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EFTA COUNCIL

EFTA Ministerial meetings

In 2006, the EFTA Council met twice at Ministerial level. A full-fledged meeting was organised in Höfn, Iceland from 25 to 27 June and an informal Ministerial meeting took place in Geneva, Switzerland on 1 December. The Ministers discussed current free trade relations, the running of the EEA agreement and the organisation of current tasks.

Following the conclusion of the negotiations with the Southern African Customs Union (SACU)¹¹, the Ministers signed the Free Trade Agreement (FTA) in June. In December, they welcomed the conclusion of the free trade negotiations with Egypt and the good progress made in the negotiations with Canada and the Gulf Cooperation Council (GCC)¹². At the December meeting they also met with India's Minister for Commerce and Industry and launched a Joint Feasibility Study, which could lead to negotiations on a comprehensive economic agreement. The Ministers noted with great satisfaction that EFTA and Indonesia were undertaking a joint study to assess the possibility

to open free trade negotiations. Ministers were pleased that the comprehensive EFTA-Korea Free Trade Agreement entered into force on 1 September 2006 and the Free Trade Agreement with Lebanon on 1 January 2007.

The EFTA Ministers have reaffirmed that EFTA should have ambitious goals with the aim to conclude FTAs with important economic partners. As a baseline, EFTA's economic operators should not only have the same market conditions as their main competitors, but EFTA should also aim at securing even more favourable trading conditions when possible. In this vein, the EFTA Ministers have repeatedly emphasised the importance of establishing closer trade relations with large and emerging economies, especially in Asia.

The EFTA Ministers reiterated their strong support of the WTO and repeatedly regretted the impasse in the WTO Doha negotiations. They stressed that EFTA's free trade policy is based upon the multilateral trading system and that EFTA's free trade agreements contribute towards further liberalisation on a global scale and complement the multi-lateral trading system.

At the summer meeting, Ministers discussed the EEA Agreement. They heard reports from the Presidents of the EFTA Court and the EFTA Surveillance Authority, as well as from the Chairman of the EFTA Standing Committee and the EFTA Secretary-General. Ministers underlined the importance of the Agreement for the EEA EFTA States and noted that it remains robust in a rapidly changing political and economic environment. They welcomed the applications of Bulgaria and Romania to become Contracting Parties to the EEA Agreement.

The Ministers highlighted the development of the Lisbon Strategy for Growth and Jobs and pointed out that structural indicators show that the Icelandic and Norwegian economies compare well to their European neighbours.

Ministers also reiterated their strong support for the European Neighbourhood Policy (ENP) and its aim of preventing the emergence of new dividing lines



Changes at the top (Ministerial Meeting in Höfn, Iceland, June 2006). Both responsible Ministers and EFTA management changed as the year went along. Just before the Ministerial meeting in June, Valgerður Sverrisdóttir, Minister for Foreign Affairs of Iceland, took over for Geir Haarde, who became Prime Minister. Over summer, Joseph Deiss, Minister for Economic Affairs of Switzerland, retired from the Federal Council. William Rossier, Secretary-General of EFTA 2000-2006, reached the end of his mandate on 1 September 2006. Finally, at the end of that same month, Odd Eriksen, Minister for Trade and Industry of Norway, resigned.

¹¹ Botswana, Lesotho, Namibia, South Africa and Swaziland.

¹² Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates.

between the enlarged EU and its neighbours by encouraging political, economic, cultural and security cooperation. With the various Free trade Agreements or Declarations of Cooperation between EFTA States and some ENP countries, EFTA already makes valuable contributions to this aim.

The Ministers recalled that EEA EFTA States are large contributors to economic and social cohesion within the Internal Market through the EEA Financial Mechanism and the Norwegian Financial Mechanism. The Financial Mechanisms will distribute 1.17 billion euros over the five-year period 2004-2009.

At the summer meeting, the Ministers also met with the EFTA Parliamentary Committee and the EFTA Consultative Committee. These meetings give the EFTA consultative bodies an opportunity to discuss directly with the Ministers and to make their views and recommendations known at the highest level.

The full text of the Communiqués from these meetings can be found in the appendices.

The EFTA Council at Ambassadorial Level

Iceland was the EFTA Chair in the first half of 2006 and Switzerland in the second half. The Council met nine times at the level of Heads of Permanent Missions to EFTA in Geneva.

In 2006, the Council discussed EFTA's third country relations with regard to potential new partners, the management of existing agreements and ongoing free trade negotiations. The Council approved a number of technical cooperation projects and agreed on administrative and budgetary matters.

The EFTA Convention

The EFTA Council is responsible for the Vaduz Convention which is regularly updated to reflect legislative developments in the EEA Agreement and the Swiss-EU agreements. In 2006, the Council amended Annex Q to the Convention on Air Transport.



The new team (Ministerial Meeting in Geneva December 2006). Dag Terje Andersen, Minister of Trade and Industry of Norway; Kare Bryn, Secretary-General of EFTA; Doris Leuthard, Federal Councillor, Head of the Department of Economic Affairs of Switzerland, (Chair); Valgerður Sverrisdóttir, Minister for Foreign Affairs of Iceland; Rita Kieber-Beck, Minister of Foreign Affairs of Liechtenstein.

FREE TRADE RELATIONS

The most significant developments in EFTA's third-country activities in 2006 were achieved in Africa and the Middle East. In June and July, the Ministers of the EFTA States and of the Member States of the South African Customs Union (SACU, comprising Botswana, Lesotho, Namibia, South Africa and Swaziland) signed the EFTA-SACU Free Trade Agreement. Thereafter, the EFTA States and Egypt managed to successfully conclude their longstanding negotiations for an EFTA-Egypt FTA. In addition, EFTA and the Gulf Cooperation Council (GCC, comprising of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates) launched free trade negotiations before the summer. Furthermore, the EFTA-Korea FTA entered into force and the process of ratification of the EFTA-Lebanon was completed.

Other important events include the signing of Joint Declarations on Cooperation with Colombia and Peru in spring, the start of processes with India and Malaysia, the conduct of the Joint Feasibility Study with Indonesia and the resumption of free trade negotiations with Canada.

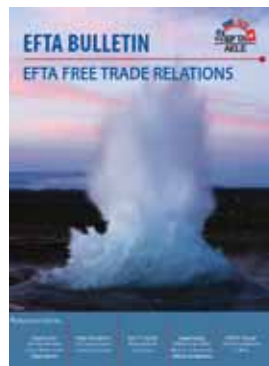
EFTA expanded its activities in the field of technical cooperation with its partner countries.

Besides the free trade relations with the European Union - comprising a population of 493 million - the EFTA States are now looking at an FTA network with 15 partners with a total population of 436 million. In addition, the EFTA States have Declarations on Cooperation with another 8 partners (Albania, Algeria, Colombia, the Gulf Cooperation Council, MERCOSUR, Peru, Serbia and the Ukraine).

SACU

The Free Trade Agreement (FTA) between the EFTA States and SACU: was signed in summer 2006.

The negotiations started in May 2003 and were concluded after seven rounds in August 2005. The



In June, a Bulletin on EFTA's Third-Country Relations was published. A paper copy can be ordered or immediately downloaded from EFTA's website.

Agreement is unparalleled in EFTA's history: it is the first time that EFTA signs an FTA with a group of countries, the first FTA with partner countries in sub-Saharan Africa and the first with partner countries at such different stages of development.

The Agreement covers trade in goods and also contains provision relating to trade in services, investment, public procurement, intellectual property rights, economic cooperation and technical assistance as well as procedural and institutional issues. The Parties aim to further develop and deepen the cooperation under the Agreement and to extend it to areas not covered therein.

SACU is an important trading partner of the EFTA States. In 2005, the EFTA States exported goods worth 609 million US dollars to the SACU States and imported goods worth 1.3 billion US dollars from the SACU States. This is more than in previous years.

Industrial goods from SACU, including fish and other marine products, will benefit from duty-free access to the respective markets of the EFTA States as of the entry into force. For products exported by EFTA to SACU, customs duties are to be eliminated after transitional periods. Such asymmetrical treatment reflects the diverse levels of economic development of the Parties and is also reflected in provisions for the special treatment for Botswana, Lesotho, Namibia and Swaziland. The Agreement provides for liberal rules of

origin and allows for the use of up to 60 per cent of non-originating input in the production of specified products. Provisions for mutual administrative assistance in customs matters and competition are set out in the Agreement as well, in addition to concessions regarding processed agricultural products.

Trade in basic agricultural products is covered by arrangements concluded bilaterally between each EFTA State and SACU. These agreements, which form part of the instruments establishing the free trade area, are also asymmetrical; giving SACU improved preferential treatment into the EFTA markets, going beyond the existing preferential regimes in place.

With regard to Intellectual Property Rights (IPR), the Parties shall grant and ensure adequate, effective and non-discriminatory protection of intellectual property rights, accord each other national treatment and MFN-treatment and provide for measures against IPR infringement.

The Parties share the goal of an attractive and stable environment for reciprocal investments and aim at a stable and predictable framework for such investments. They recognise the importance of cross-border investment and technology flows as a means for economic growth and development and foresee cooperation in this respect in several ways. On trade in services, the EFTA and SACU States endeavour to work towards an extension of the scope to liberalise trade in services. Should one Party enter into a preferential services agreement with a third country, then it will offer the other Parties an opportunity to agree on comparable advantages.

As far as government procurement is concerned, the Parties will exchange information and co-operate in order to enhance the understanding of their respective procurement markets. Investment, services and governmental procurement will be reassessed in the Joint Committee within five years after the entry into force of the Agreement

One separate chapter of the Agreement relates to economic cooperation and technical assistance and outlines the objectives and scope of the EFTA assistance foreseen for the SACU States. It identifies the methods and means of assistance and the fields of

cooperation. The EFTA projects are trade related and focus on capacity building in both the public and private sectors.

In this context it is important to mention that this is the first time EFTA has concluded an FTA with a group of States that have also set up a Secretariat. The EFTA and SACU Secretariats have established close working relations to exchange information, to share knowledge and to mutually ensure the good functioning of the FTA.

A Joint Committee composed of representatives of the EFTA States and the SACU States will supervise and administer the application of the Agreement. The Parties may hold consultations and, failing agreement, apply provisional measures. Any Party may refer a dispute over the interpretation of rights and obligations under the Agreement to binding arbitration if consultations do not lead to a solution.

The Agreement will enter into force the first day of the second month after the last Party has notified the Depositary on the fulfilment of its internal requirements.

Egypt

The EFTA States and Egypt concluded their long-standing free trade negotiations at the tenth round in Cairo on 31 October 2006^[9]. The FTA with Egypt is EFTA's eighth such agreement with a Mediterranean country, thus extending the scope of application of the pan-Euro-Mediterranean cumulation system in which both Egypt and the EFTA States participate. In 2005, the EFTA States and Egypt traded goods worth 413 million USD.

Network of EFTA Free Trade Agreements (FTAs)

Apart from signing an FTA with SACU and the successful conclusion of the EFTA-Egypt free trade negotiations, the EFTA States also re-started their free trade negotiations with Canada and met with their Canadian counterparts twice. Moreover, the EFTA States held another fully-fledged round of free trade negotiations with Thailand in January 2006, and the first two full rounds of negotiations in June and



^[9] The Agreement was signed by Ministers in Davos on 27 January 2007.

November, in Geneva and Riyadh respectively, with the GCC. Trade between EFTA and the GCC totalled over 3.7 billion USD in 2005.

The Joint EFTA-Indonesia Study Group to evaluate the feasibility of a future trade agreement that had been established on 29 November 2005 met twice and substantially concluded its work on a report to Ministers of all the Parties.

On 1 December 2006, Ministers of India and the EFTA States met in Geneva on the occasion of the bi-annual EFTA Ministerial Meeting and launched a Joint Feasibility Study, which could soon lead to negotiations on a Comprehensive Economic Agreement.

The Free Trade Agreement between EFTA and the Republic of Korea entered into force on 1 September 2006. After the completion by all the Parties of the process of ratification of the EFTA-Lebanon FTA, the latter has entered into force on 1 January 2007.

Management of EFTA Free Trade Agreements

The EFTA States held Joint Committee meetings with different free trade partners in 2006 (Chile and Turkey, see Fig.1). The EFTA side and the partner country usually aim at meeting once every other year. They review the functioning of the agreements and assess the need to make adjustments in the light of relevant trade policy developments, including those arising in the framework of the WTO. The Joint Committees addressed a wide range of issues during their meetings in 2006. These meetings resulted in the adoption of several formal decisions that update the legal texts of the FTAs in question. In addition, expert meetings in selected areas were held with several free trade partners (Israel, Mexico, and Turkey).

The EFTA States also held Joint Committee meetings in 2006 with Colombia and Peru, both new partners with which they had signed joint declarations on



The Egypt-EFTA Agreement was signed by Ministers in Davos on 27 January 2007.

cooperation earlier in the year. It was agreed that the Parties would consider the possibility of launching free trade negotiations in 2007⁽⁴⁾. In addition, the EFTA

States established and pursued contacts with other countries in various regions, notably in Asia, with a view to establishing preferential trade relations.

EFTA's technical cooperation

EFTA's economic cooperation and technical assistance activities cover a series of projects and programmes funded through the Association's budget. The main objective of these activities is to prepare prospective trading partners for free trade relations with EFTA and to assist current partners in the implementation of EFTA free trade agreements. The programmes and projects are essentially directed towards developing countries and economies in transition. Traditionally the focus has been on Mediterranean countries, the Balkan region and countries to the east of the enlarged EU. Recently the focus has been extended to EFTA partners in Africa, Asia and Latin America.

EFTA arranges trainings, seminars, workshops and study visits adapted to the particular needs of the individual partner countries. EFTA mostly provides assistance in the areas of competition, customs and origin, intellectual property rights, market opportunities, public procurement, sanitary and phytosanitary measures, services, state aid, statistics, technical barriers to trade, trade facilitation or trade promotion. Moreover, EFTA participates in EU technical assistance programmes and projects aimed at third countries, especially with regard to customs matters, standardisation and statistics.

The EFTA Secretariat and/or the relevant EFTA Committees organise the activities. In most cases, experts and consultants from the Member States, the Secretariat and the partner countries are involved in the preparation and execution of the projects which normally take place in EFTA or partner countries.

Projects financed by EFTA in 2006 include:

- a WTO accession capacity building seminar on services in Serbia;
- a seminar in Albania on how to benefit from the Generalised System of Preferences and how to export to the EFTA States;
- continued assistance in establishing the SACU Secretariat in Windhoek, Namibia;
- a seminar to train Ukrainian customs officers and officials on intellectual property, to support the fight against counterfeit and pirated products;
- continued support for the Eurocustoms Secretariat in Paris and EU projects under the CARDS, MEDA, PHARE and TACIS programmes (see page 36);
- involvement of EFTA experts in EU projects, mainly CARDS and MEDA;
- Seminar on Preferential Rules of Origin and Cumulation for South Eastern European (SEE) countries, co-organized by EFTA and the Stability Pact for SEE;
- seminars on external trade statistics, strategic management, and advanced sampling survey techniques;
- quality infrastructure projects;
- seminars and workshops to promote the New Approach and the European standardisation.

In 2006, the budget allocated for EFTA projects amounted to 500.000 Swiss francs. This does not, however, include bilateral programmes and initiatives which are undertaken by individual EFTA Member States in addition to the EFTA activities.



⁽⁴⁾ In the meantime, it has been decided to start negotiations for Free Trade Agreements between EFTA and Colombia and Peru respectively.

EFTA's Free Trade Agreements: reflecting new realities

World trade has witnessed important developments over the last decade. Leading developments are the new role of Asia in world trade and the growing importance of services in the world economy.

Asia

The increasing importance of Asia as an economic power does not only reflect the size of its population, but also has a profound change in the economic structure of many Asian economies. These developments are by far not limited to Asia's new emerging powerhouses, China and India. They are also very prominent in almost all of Asia, a part of the world where EFTA has been very active for several years. The EFTA States were the first western countries to conclude a Free Trade Agreement (FTA) with Singapore back in 2001; in fact, they were even the first western countries to conclude an FTA with any Asian country. In 2005, EFTA negotiated an FTA with South Korea. That same year, negotiations also started with Thailand. 2006 saw both, the launch of Joint Feasibility Studies on trade agreements of the EFTA States with India and Indonesia respectively as well as EFTA and Malaysia expressing an interest in studying the possibility of establishing closer contacts.

Over the past ten years, with its population of over 500 million, the Association of Southeast Asian Nations (ASEAN) has been the world's most dynamic region. Singapore has acted as a catalyst and was in many ways Asia's door to the world. Indonesia, Thailand and Malaysia, as well as other members of ASEAN, have become economic actors in their own right, based on their own characteristics. While a majority of these countries are highly export-oriented, their economic structure differs considerably. Singapore, with its population of only 5 million having natural limits to continue being an engine for the entire ASEAN area, specialises in services related to merchandise trade for its neighbours. Indonesia, with its broadly diversified economy and as the region's biggest country, has imposed itself as one of the major economic players. Thailand is quickly developing its industrial base to further diversify its export-oriented economy and Malaysia has emerged as one of the most industrialised countries in the region, with a high-tech sector that contributes nearly 60% to the total of its manufactured exports.

Trade in services

Singapore is definitely a pioneer of trade in services in Asia. But likewise, the other ASEAN countries' dynamism is not confined to trade in goods but is reflected in the success of their service providers. The share of services in the world economy in general has expanded significantly in recent years. In high-income OECD countries, services account today for 60 to 70% of the total production and cross-border services for around 20% of the total external trade. But also in transition and emerging countries, especially in Asia, services are becoming increasingly important for the local economy. According to the WTO, low and middle income countries have witnessed a more rapid increase in their service exports than high-income countries. As a result their share in world services trade increased from 16% in 1990 to 23,5% in 2002.

Modern economies are not only characterised by the increasing importance of their services sector. Equally important is the fact that many companies producing and exporting industrial products at the same time supply services such as consulting, engineering, software development, maintenance, etc., which are often bundled with, or embedded in, goods. This means that obstacles to trade in services also constitute obstacles to trade in goods, and vice versa, and therefore also have to be addressed. In addition, modern methods of production typically rely on the possibility to allocate production processes, or parts thereof, to different locations in various countries around the world. This not only requires liberalised cross-border movement of goods and services, but also stable conditions and legal security for investments abroad.

To reflect these developments, EFTA's negotiations increasingly cover services, investment and other regulatory areas relevant for international economic activities, such as intellectual property and public procurement. However, as these negotiations often relate to internal regulations, extensive liberalisation can usually not be achieved at once. Such FTAs therefore typically provide for review clauses and built-in agendas calling for further negotiations.

Joint Committee Meetings in 2006

Fig. 1

Free Trade Agreement	Venue & date of meeting
Joint EFTA-Chile Committee (1 st)	Geneva, 31 Jan 2006
Joint EFTA-Turkey Committee (8 th)	Ankara, 31 May 2006

Declaration on Cooperation	Venue & date of meeting
Joint EFTA-Peru Committee (1 st)	Lima, 3 Oct 2006
Joint EFTA-Colombia Committee (1 st)	Bogota, 5 Oct 2006

Implementation of the Pan-Euro-Mediterranean Protocol on Rules and Origin

A model protocol on rules of origin, i.e. the Pan-Euro-Mediterranean Protocol on Rules of Origin (Euro-Med Protocol), was endorsed by the Euro-Mediterranean Trade Ministerial Conference in Palermo on 7 July 2003. The Protocol is part of the follow-up to the Barcelona Process - launched in 1995 - to create a Euro-Mediterranean free trade area by 2010. Although not formally part of the Barcelona Process, the EFTA countries support this initiative and are therefore expanding their network of free trade agreements with Mediterranean countries.

In this context, the potential partners identified a need to introduce a common model to extend the pan-European cumulation system in the field of rules of origin to the Mediterranean countries.

The new model was prepared under the auspices of a Working Group on Rules of Origin, with the participation of customs experts from the countries participating in the pan-European cumulation system, including the EFTA and Mediterranean countries.

The system interlinks European and Mediterranean free trade agreements and generates significant advantages for economic operators and customs administrations. The same rules of origin apply for all partner countries in the pan-Euro-Mediterranean zone. Producers are allowed to use input originating anywhere in this zone for the production of originating products. Adoption of the Euro-Med Protocol by the pan-Euro-Med partners in free trade agreements is a precondition for participation in the diagonal cumulation system. Once all relevant agreements have been updated accordingly, 44 European and Mediterranean countries will participate in the network.

The introduction of the Euro-Med Protocol on Rules of Origin in existing EU association agreements is well advanced. As for the EFTA States, the new provisions were included in the relevant annexes to the EFTA Convention, the EEA Agreement in 2005 and in the bilateral relations with the Faroe Islands. The provisions have been integrated in the FTAs concluded with Lebanon, Tunisia and Egypt. The Joint EFTA-Jordan, EFTA-Morocco, EFTA-Turkey, EFTA-Israel, EFTA-Romania and EFTA-Bulgaria Committees have agreed to incorporate the new Protocol in the respective FTAs. The objective is to do so in all FTAs with EFTA partners in the Mediterranean at the earliest opportunity.

As a result of the establishment of the pan-Euro-Med cumulation zone, the Working Group on Rules of Origin was expanded to include the Mediterranean countries and renamed to the Pan-Euro-Med Working Group (PEM WG). The EFTA States have taken an active role in the work of the PEM WG. Combining the experience made in the application of the PEM rules of origin with the objective of simplifying trade, EFTA has proposed several amendments to the existing rules of origin such as: the elimination of the movement certificate; relaxation of the direct transport rule and requirements related to the wholly obtained criteria for fish.



EFTA - Relations with the WTO, OECD and other International Organisations

In 2006, the WTO Committee on Regional Trade Agreements (CRTA) had 158 regional trade agreements under examination, 120 of them on trade in goods and 38 on trade in services.

The CRTA finished the factual examination of the EFTA-Singapore Free Trade Agreement in July 2006. Due to differences of opinion between WTO Members, notably on the application or interpretation of existing WTO provisions on regional trade agreements, no examination reports have been adopted by the CRTA. However, the CRTA continues its factual examination work. A new "transparency mechanism" was adopted by the negotiating group on rules in July 2006 and endorsed by the WTO General Council in December 2006.

In November 2006, EFTA submitted its Biennial Report on the operation of the EFTA Convention, which can be found on the WTO website.

Relations between EFTA and Third Countries

Fig. 2

Country	Joint Declaration	Free Trade Agreement	
	Signature	Signature	Entry into force
Albania	10 December 1992		
Algeria	12 December 2002		
Bulgaria	10 December 1991	29 March 1993	1 July 1993
Chile		26 June 2003	1 December 2004
Colombia	17 May 2006		
Croatia	19 June 2000	21 June 2001	1 April 2002
Egypt	8 December 1995	27 January 2007	
Gulf Cooperation Council (GCC)	23 May 2000		
Israel		17 September 1992	1 January 1993
Jordan	19 June 1997	21 June 2001	1 September 2002
Korea, Republic of		15 December 2005	1 September 2006
Lebanon	19 June 1997	24 June 2004	1 January 2007
Macedonia	29 March 1996	19 June 2000	1 May 2002
Mexico		27 November 2000	1 July 2001
Southern Common Market (MERCOSUR)	12 December 2000		
Morocco	8 December 1995	19 June 1997	1 December 1999
Palestinian Authority	16 December 1996	30 November 1998	1 July 1999
Peru	24 April 2006		
Romania	10 December 1991	10 December 1992	1 May 1993
Southern African Customs Union (SACU)		26 June 2006	
Serbia	12 December 2000		
Singapore		26 June 2002	1 January 2003
Tunisia	8 December 1995	17 December 2004	1 June 2005
Turkey		10 December 1991	1 April 1992
Ukraine	19 June 2000		

THE EEA AGREEMENT

The EEA Council

The EEA Council provides political impetus and guidance for the implementation and development of the EEA Agreement. It also brings together the EEA EFTA Ministers of Foreign Affairs, the incumbent and incoming EU Presidencies, the Commissioner for External Relations and the High Representative of the EU's Common Foreign and Security Policy. The EU side chaired the Council during the first half of the year and EFTA the latter half.

In 2006 the EEA Council met on 12 June and 12 December. The EEA Council reviewed the ongoing work in EEA cooperation and noted the progress reports from the EEA Joint Committee. The Ministers positively assessed the overall functioning and development of the EEA Agreement and appreciated that new acts were being incorporated into the Agreement at a high speed. They also discussed the accession of Bulgaria and Romania to the EU and the EEA, the EEA Financial Mechanism and the Norwegian Financial Mechanism, the situation in the Western Balkans, the Middle East and Sudan, the Lisbon Strategy for Growth and Jobs, the Internal Market Policy, energy policy and the EU Maritime Policy. The full text of the Conclusions from these meetings is in the appendices.



Arriving for the EEA Council. Jonas Gahr Store, Minister of Foreign Affairs of Norway, is received by Oda Sletnes, Ambassador of Norway to the EU.

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EEA Enlargement

Bulgaria and Romania became members of the European Union as of January 2007. Simultaneous accession of new members to the EU and to the EEA is a common objective as it contributes to the homogeneity and good functioning of the European Economic Area. Both countries applied to become Contracting Parties to the EEA Agreement in July 2005 and negotiations on EEA enlargement to Bulgaria and Romania were launched in July 2006, but had not been completed by the end of the year.

The Joint Committee

The EEA Agreement continued to function well in 2006. The number of decisions and legal acts integrated into the Agreement in 2006, although lower than in 2005, they remained high and comparable to that of previous years.

In 2006, the Joint Committee adopted 159 decisions incorporating 340 acts.

The EEA Joint Committee is responsible for the ongoing management of the EEA Agreement. It is a forum in which views are exchanged and decisions are taken by consensus to incorporate EU legislation into the EEA Agreement. The Joint Committee, which generally meets once a month, is made up of Ambassadors of the EEA EFTA States to the EU, representatives of the European Commission and EU Member States. The Chair of the Committee alternates every six months between the European Commission and the EFTA Chair. Four subcommittees assist the Joint Committee, on the free movement of goods (I); free movement of capital and services including company law (II); free movement of persons (III) and horizontal and flanking policies (IV). Numerous experts and working groups report to these subcommittees.

During the year, the Joint Committee discussed EEA enlargement, EEA EFTA participation in the European Food Safety Authority (EFSA), the Directives on greenhouse gas emission trading scheme and free movement of persons.



The Standing Committee

The Standing Committee of the EFTA States is the forum in which the EEA EFTA States consult one another and arrive at a position before meeting with the EU side in the EEA Joint Committee. In addition, the Committee discusses relevant EEA EFTA matters. It is made up of representatives from Iceland, Liechtenstein and Norway and observers from Switzerland and the EFTA Surveillance Authority. The sub-structure of the Standing Committee mirrors that of the EEA Joint Committee, with four subcommittees and numerous experts and working groups. The Standing Committee is assisted by Subcommittee V which deals with legal and institutional matters. The so-called Horizontal Group of deputies has also been established to monitor the Lisbon Strategy and other horizontal policy issues.

In the first half of the year, Iceland was in the chair and Norway in the second half. The Chair's work programmes can be found on the EFTA website. Agendas and conclusions of the Standing Committee meetings are also available on the website.

Horizontal Policy Issues

The Group on the Lisbon Strategy and Other Horizontal Policy Issues - the Horizontal Group - aims to monitor broader political and horizontal policy developments in the EU. It provides an early warning function for the EEA EFTA States on major developments in the Internal Market. The Group focuses, in particular, on the Lisbon Strategy, the Internal Market policy, EU Treaty revisions, better regulations reforms and European Neighbourhood Policy.

EU relations with Russia and the Ukraine, the European Neighbourhood Policy (ENP) and the effect of EU security policy on the Internal Market were the most frequently discussed topics in the Horizontal Group in 2006. The Group received several presentations on the development of EU relations with its Eastern neighbours from the Presidency, the European Commission, the Russian and Ukrainian missions to the EU and external experts. The Group focused in particular on how these developments could affect the EEA Agreement.

The Group also played an important role in coordinating the timely input of the EEA EFTA States



In March, EFTA published a Bulletin dedicated to the Lisbon strategy from an EFTA perspective.

There were discussions on the new Financial Perspective and its impact on the EEA EFTA States; the Lisbon Strategy, focusing in particular on the action plans and the National Reform programmes; 'flexicurity'; the Constitution; and the sectoral extension of the internal market outside the EU.

for the new Internal Market policy. The EEA EFTA States provided one of the first contributions to the new policy through their participation in the Internal Market Advisory Committee (IMAC), which was well received on the EU side.

There were discussions on the new Financial Perspective and its impact on the EEA EFTA States; the Lisbon Strategy, focusing in particular on the action plans and the National Reform programmes; 'flexicurity'; the Constitution; and the sectoral extension of the internal market outside the EU.

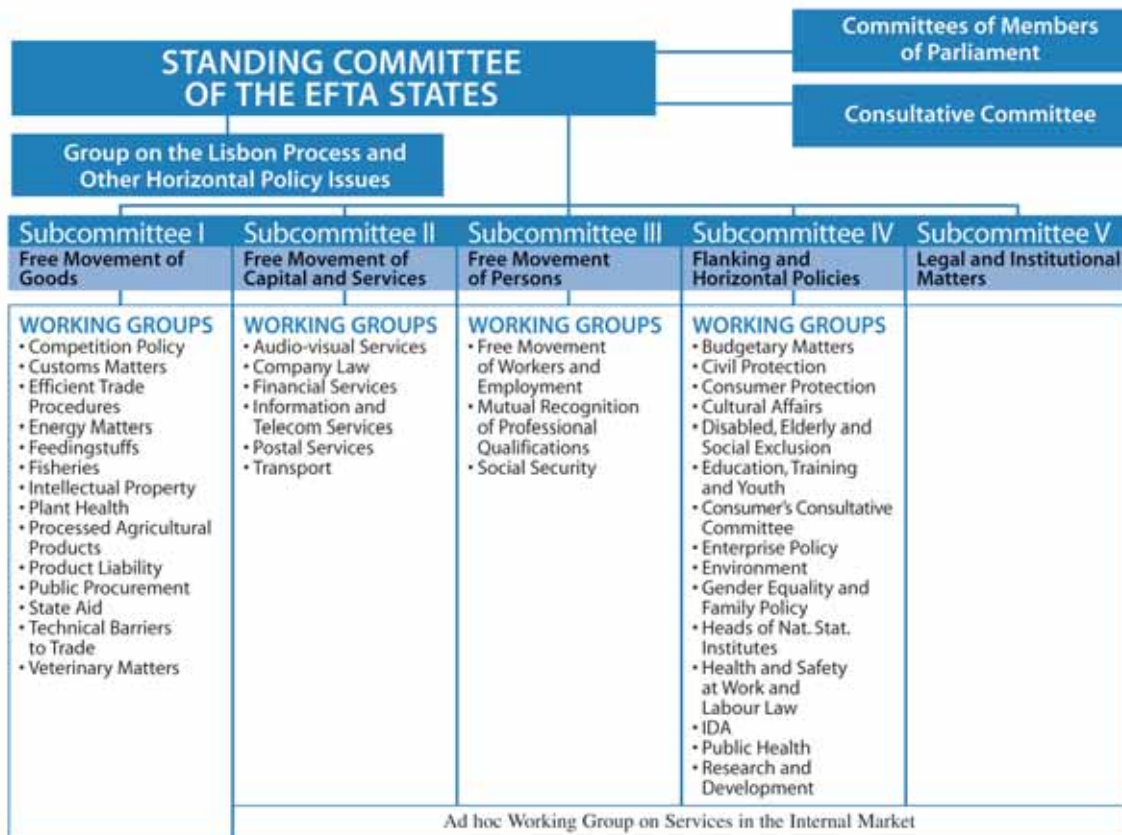
Legal and Institutional Matters

In 2006, Subcommittee V devoted considerable efforts preparing the 2007 EEA Enlargement.

Subcommittee V discussed the possibilities on how to improve the information flow to the public concerning the discussions on EC acts not being incorporated into the EEA Agreement. It concluded the discussions by making additional information available on the internet.

Subcommittee V addressed numerous other issues, some of which were new on its agenda, while work on others had not been completed in 2005. Among the former featured its analysis of Criminal Law sanctions in Internal Market legislation. Among the latter featured the analysis of Third Country provisions in the EEA Agreement. This work will continue in 2007.

Finally, the Subcommittee dealt with various other issues, such as the procedures for incorporation of EC acts into the EEA Agreement, the extension of the Internal Market through the European Neighbourhood Policy initiative, the participation of the EEA EFTA States in comitology committees, as well as the simplification of the structure of Protocol 31 to the EEA Agreement.



The Lugano Convention

In order to revise and update the Lugano Convention (Convention on jurisdiction and the enforcement of judgements in civil and commercial matters), the Council of the European Union has authorised the Commission to open negotiations with Iceland, Norway and Switzerland. The negotiations were opened with an exchange of views in September 2003 and were suspended until 2006, awaiting a ruling from the European Court of Justice (ECJ). The question raised before the ECJ was whether the European Community has exclusive competence to negotiate on behalf of the EU Member States with the non-EU Contracting Parties or whether there is mixed competence between the European Community and its Member States.

The opinion of the ECJ, dated 7 February 2006, ruled that the conclusion of the new agreement fell entirely within the sphere of the Community's exclusive competence.

The final negotiations on the formal revision of the Lugano Convention took place at the Diplomatic Session in Lugano from 9 to 12 October 2006. Nearly all the controversial issues were resolved, apart from the question of whether to include an additional protocol on the future exclusive competence of the EU Court of Justice for industrial property rights regarding disputes in connection with the future Community patent.

The EFTA Secretariat continued to follow the work under the Lugano Convention and participated as an observer institution in the 13th session of the Standing Committee of the Lugano Convention and the Diplomatic Session in Lugano.

	Number of meetings in 2006	Number of acts incorporated in 2006
The Joint Committee	8	340
The Standing Committee	8	340
The Group on the Lisbon Strategy and Other Horizontal Issues	6	-
SUBCOMMITTEE I	8	229
Working Groups		
Competition Policy	3	2
Customs Matters	4	-
Efficient Trade Procedures	2	-
Energy Matters	6	1
Feedingsuffs	1	21
Fisheries	-	-
Intellectual Property Rights	1	-
Plant Health	-	9
Processed Agricultural Products	1	-
Product Liability	-	-
Public Procurement	2	8
State Aid	-	3
Veterinary Matters	1	63
Technical Barriers to Trade (TBT)	5	122
Expert Groups and Ad hoc Groups under TBT		
Motor Vehicles	-	16
Agricultural and Forestry Tractors	-	2
Machinery	-	1
Appliances Burning Gaseous or Liquid Fuels	-	-
Construction	-	4
Pressure Equipment	-	-
Measuring Instruments	-	-
Electrical Equipment	-	1
Foodstuffs	2	31
Medicinal Products	2	13
Chemicals	1	5
Plant protection Products	-	7
Fertilisers	-	4
Good laboratory practice	-	-
Cosmetics	-	4
Telecommunications Equipment	-	1
Medical Devices	-	1
Personal Protective Equipment	-	-
Consumer Product Safety and Toys	-	-

	Number of meetings in 2006	Number of acts incorporated in 2006
Wine and Spirit Drinks	-	25
Explosives	-	2
Recreational Crafts	-	-
Marine Equipment	-	-
ATEX (equipment for use in explosive atmospheres)	-	-
Precious Metals	-	-
Cableway Installations	-	-
Ad Hoc Working Group on Services	3	-
SUBCOMMITTEE II	8	51
Working Groups		
Financial Services	3	11
Economic Committee ECFIN (with SG's Office)	3	-
Company Law	1	9
Information and Telecommunication Services	5	2
Ad Hoc Working Group on Data Privacy	1	1
Audiovisual Services	2	-
Postal services	1	-
Transport	6	28
SUBCOMMITTEE III	8	4
Working Groups		
Free Movement of Workers and Employment	2	-
Social Security	4	4
Recognition of Professional Qualifications	3	-
SUBCOMMITTEE IV	8	53
Working Groups		
Research and Development	2	1
Environment	4	21
Education, Training and Youth	2	-
Gender Equality and Family Policy	2	1
Disabled, the Elderly and Social Exclusion	-	1
Health and Safety at Work and Labour Law	2	1
Consumer Protection	1	2
EFTA Consumers' Consultative Committee	1	-
Enterprise Policy	3	2
Civil Protection	3	-
Cultural Affairs	3	-
Public Health	2	-
Budgetary Matters	4	-
Heads of National Statistical Institutes	1	24
SUBCOMMITTEE V	5	-

Free Movement of Goods

Subcommittee I, under the EFTA Standing Committee, prepares for the integration into the EEA Agreement of legislation relating to the free movement of goods, competition, state aid, public procurement and energy. Subcommittee I is assisted by 14 Working Groups, 22 Expert Groups and four Ad hoc Groups.

A substantial part of the EU legislation concerns the free movement of goods. The objective of this legislation is to ensure free circulation of products, and at the same time secure a high level of protection of health, safety and the environment. The rules on competition, state aid and public procurement apply to trade in services as well as goods and ensure a fair and efficient market.

Trade in Agricultural Products

Norway started discussions with the Commission on trade in agricultural products, according to Article 19 of the EEA Agreement. Iceland reduced tariffs on food products in 2006 and therefore it was decided that negotiations with the Commission, which had concluded in 2005, would be re-opened.

Customs matters

Pre-arrival/pre-departure declarations

The Commission's proposal for pre-arrival/pre-departure declarations was closely followed by the Working Group on Customs Matters in 2006. The proposal requires that a set of security data be submitted to the EU customs authorities before goods physically arrive in/leave the customs territory of the Union. EFTA and the Commission held several meetings in order to prevent the requirement from impacting negatively on trade between the EFTA countries and the Union. Proof that the security level in the EFTA countries is equal to that in the EU Member States should allow for import/export procedures to continue without the required advance information.

Free Trade Agreements

Another important topic for the Working Group in 2006 was the continued implementation into the pan-Euro-Med free trade system of the Mediterranean partner countries,

i.e., Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, West Bank and Gaza Strip, Syria, Tunisia and Turkey.

The Working Group addressed customs matters related to free trade agreements with third country partners and open technical customs issues among EFTA countries.

Conventions on Common Transit and the Simplification of Formalities in Trade in Goods

The purpose of the conventions is to simplify the customs clearance formalities upon border-crossing. The EFTA countries, the EU Member States and Romania are contracting parties to the Conventions. The EC-EFTA Joint Committee on Common Transit and Simplification of Formalities in Trade in Goods met in Brussels on 25 October 2006. The Committee adopted technical adaptations of the Appendixes of the Convention, which were required for the accession of Bulgaria and Romania to the European Union as of 1 January 2007. Furthermore, Croatia was offered observer status to future EC/EFTA Joint Committee meetings.

The New Computerised Transit System (NCTS) serves to manage and control the transit system for goods. Since 2006, NCTS has been fully implemented as the principal customs transit system. The Joint EC-EFTA Working Group met six times in 2006. The most important task carried out was the redrafting of the Appendixes of the Convention, in which NCTS will be reflected as the principal customs transit procedure.

Veterinary, Feedingstuffs and Phytosanitary Matters

Veterinary Issues

The veterinary legislation applies to Norway and to Iceland only in terms of aquaculture animals and products, bivalve molluscs and fishery products. Liechtenstein has a permanent derogation since January 2003 and is linked to the bilateral Swiss-EU Agreement on Agriculture.

During 2006, Iceland initiated discussions with the Commission in order to review Chapter 1 of Annex I on Veterinary Issues, making the legislation concerning products of animal origin other than those referred to above applicable to Iceland. A draft EEA



Joint Committee Decision on the matter was submitted to the Commission in December 2006. The Working Group on Veterinary Matters continued to focus on the incorporation of the Regulation establishing the European Food Safety Authority (EFSA), the regulatory framework for the handling and disposal of animal by-products, the legislation concerning registration and identification of bovine animals and labelling of beef, and the legislation on hygiene and official food and feed control.

During 2006, the EEA Joint Committee incorporated new framework legislation concerning the protection of animals during transport, the control of avian influenza, and legislation concerning the movement of circus animals.

Each year, a number of acts are subject to simplified procedures. This implies that certain acts are applicable to the EEA EFTA Member States without first being incorporated into the Agreement. Instead, the EEA Joint Committee takes note of the acts for transparency purposes. During 2006, 102 acts falling under simplified procedures were identified.

Feedingstuffs

During 2006, the Working Group on Feedingstuffs focused on legislative proposals, such as the maximum level of undesirable substances in animal feed and on the Regulations on feed hygiene and official food and feed control. Most other acts incorporated during 2006 concern the authorisation of additives under the new legal framework for additives and undesirable substances in animal feed.



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Avian Influenza

A new Directive on Avian Influenza, adopted in 2005, was incorporated into the EEA Agreement on 8 December 2006. It fundamentally reviews the former legislation in light of recent scientific knowledge on the risks of avian influenza for animal and public health, the development of new laboratory tests and vaccines, and lessons learnt during recent outbreaks of the disease in the EU and in third countries. Provisions of the Directive aim at fighting the disease in farmed animals, but could also indirectly contribute to preventing public health problems. The Directive includes new measures such as preventive vaccination which should be applied on holdings where cases of low pathogenic avian influenza have been confirmed. The Directive must be implemented by 1 July 2007.

Technical Barriers to Trade (TBT)

An important objective of the Internal Market is to reduce the non-tariff barriers to trade, also referred to as technical barriers to trade (TBT). For many product sectors, this is achieved by harmonising product requirements. Products that are in conformity with EEA harmonised requirements may circulate freely within the Internal Market.

The EFTA Committee on Technical Barriers to Trade (TBT) reports to the EFTA Council (i.e. including Switzerland) and met four times in 2006.

The main issues discussed relate to the Commission's work on horizontal legislation regarding industrial products, the EFTA study on marks affixed to products at national level, technical assistance to third countries and the EFTA financial contribution to the development of European standards. The European Commission is currently preparing a Regulation on the common elements of the New Approach Directives. These Directives apply to a wide range of industrial products and set out the essential product requirements, while the technical details of the products are specified in European Standards. The common elements of these instruments relate to the designation of conformity assessment bodies (notified bodies), accreditation, conformity assessment, CE marking and market surveillance. During 2006, the Commission extended the scope of the proposal, so that it will also apply to certain Old Approach sectors. The EFTA Committee on TBT has contributed actively to this review and EEA EFTA Comments were submitted in March 2006. A formal proposal from the Commission is expected early in 2007.

Another important proposal by the Commission concerns a Directive on the procedures for the mutual recognition principle in the non-harmonised area. The Directive will apply when a Member State wants to ban or restrict the access of a product to its market, while the product has been lawfully marketed in another Member State. EEA EFTA Comments supporting the proposal were submitted to the European Commission in October 2006. The support was based on the belief that such legislation will benefit economic operators and give a positive contribution to the European competitiveness and better regulation agenda. A formal proposal by the Commission is expected early in 2007.

In May 2006, the EFTA Council approved the budget for an EFTA Study on the supply of and demand for third party certification services, leading to the affixing of marks at national level. A Steering Committee was established with representatives from ANEC, EFTA, EUROLAB, the three European standardisation organisations, the European Commission, and UNICE. The EFTA Secretariat acts as project manager. A consultant was contracted in December 2006 to carry out the study which should be completed in 2007. The objectives of the study are (1) to increase the knowledge of the mechanisms and stakeholder pressures which determine the supply of and the demand for third party certification, leading to the affixing on products of marks at national level; (2) to recommend the best means to combine the free movement of goods in the Internal Market with the need for credible marking, in addition to the CE marking and (3) create the basis for a strong political message concerning any improvements that are needed.

The EFTA Committee on TBT further co-steered a joint EU-EFTA Quality Infrastructure project in Bulgaria and Romania. The objective of the assessment, performed by the Danish Technological Institute, is to improve the quality infrastructure in both countries, in order for them to operate to the same high standards as equivalent structures in the EU and EFTA. The Steering Committee met twice in 2006, and was pleased to note that the project was well on track with completion scheduled for the first half of 2007.

The Working Group on Technical Barriers to Trade coordinates the assessment of the EEA relevance and acceptability of new EU product legislation (i.e. including the three EEA EFTA Member States only). Twenty-two Expert Groups and four Ad hoc Groups assist the Working Group in various fields. Furthermore, the Working Group prepares for the approval of standardisation mandates by the Standing Committee. Horizontal legislation, such as the revision of the New Approach, is mainly followed up by the EFTA Committee on TBT.

Motor Vehicles

In 2006, new requirements concerning the safety of motor vehicles were integrated into the EEA Agreement, especially regarding seats and safety belts.



EFTA Contribution to European Standardisation

Based on the Luxembourg Declaration of 9 April 1984, the EFTA countries and the Commission of the European Communities have developed close cooperation in creating and implementing a European standardisation policy, including parallel financing of standards-related work carried out by the European Standardisation Organisations (ESOs) - CEN (European Committee for Standardisation), CENELEC (European Committee for Electrotechnical Standardisation) and ETSI (European Telecommunications Standardisation Institute). EFTA continued to play an active role in the three ESOs. Along with the Commission, EFTA has the formal status of Counsellor to CEN and ETSI, with the right to participate in the Administrative Boards of these organisations, as well as in the General Assemblies of the three ESOs.

The Working Group on TBT continued their involvement in the preparation of mandates for the ESOs for new standardisation activities to facilitate the functioning of the Internal Market. The 98/34 Commission Committee on Standards and Technical Regulations discusses and clears the mandates. This Committee normally meets 3-4 times a year and the EEA EFTA Member States participate as observers. The EFTA Standing Committee approves the mandates on the EFTA side. Those approved in 2006 mainly concerned consumer product safety, telecommunications, construction products and environmental issues. The mandates are followed by grant agreements relating to standardisation activities, financed on the EFTA side by all four countries.

In parallel with the EC, EFTA also signed Annual Operating Grants with the three ESOs to contribute to the operational costs of the Central Secretariats of the organisations. EFTA's 5% financial commitment to standardisation activities amounted to almost one million euros in 2006. During 2006, EFTA continued its financial support to ANEC, the European Association for the Coordination of Consumer Representation in Standardisation and to ECOS, the European Environmental Citizens Organisation for Standardisation, representing consumers and environmental interests in Standardisation. It has also continued its financial support to EOTA, the European Organisation for Technical Approvals (relating to the Construction Sector) and signed a new Framework Partnership Agreement with EOTA at the end of 2006.

Seconded European Standardisation Expert in China

The three European Standardisation Organizations - CEN, CENELEC and ETSI - with the support of the European Commission and EFTA have appointed Klaus Ziegler as Seconded European Standardisation Expert in China, based in Beijing from 1 July 2006 for a three year period. Mr Ziegler will be responsible for increasing cooperation between China and Europe in the fields of standardisation and conformity assessment. His mission will be to explore the standardisation landscape in China in order to identify new standardisation needs and to foster cooperation between Chinese industry and its European counterparts. This is the first time that the European Standardisation Organisations have coordinated their efforts to appoint an expert in a particular country and this may be extended to other regions in the future.

Several directives concerning emissions, recyclability and radio interference of motor vehicles were also incorporated during the year. A Commission proposal to revise and simplify the automotive regulatory framework is still to be approved by the Council and

the European Parliament. The Commission also plans to introduce virtual and self-testing of motor vehicles by manufacturers. This will speed up product developments and reduce costs for industry and consumers.

Foodstuffs

Throughout 2006, the EEA EFTA Member States continued to give high priority to the integration into the EEA Agreement of Regulation (EC) No 178/2002, laying down general principles and requirements of food law and procedures in matters of food safety and the establishment of the European Food Safety Authority (EFSA).

The EEA EFTA Member States continued their consultations with the Commission on the integration of the Novel Foods Regulation of 1997, the Regulations on GM food and feed and the traceability and labelling of GMOs from 2004. The Expert Group continued to follow the review of the legislation on food labelling and food additives, and the developments on the EU side concerning the proposals for legislation on addition of vitamins and minerals to foods, nutrition and health claims made on foods, flavourings, enzymes and food supplements.

Medicinal Products

In 2006, the EFTA countries secured participation in the work of the Pharmaceutical Forum. Over the next three years this key Commission project will examine the competitiveness of the European-based pharmaceutical industry and related public health issues. At an inaugural Ministerial meeting on 29 September 2006, EFTA's Secretary-General voiced the EFTA countries' support for the Forum's goals. The EFTA countries obtained the role of observers in the three Working Groups under the Forum (Working Group on Information to Patients, Working Group on Pricing and Reimbursement and Working Group on Relative Effectiveness).

The Expert Group also worked on the incorporation, into the EEA Agreement, of the 2004 EU pharmaceutical legislation, updating rules on the authorisation and supervision of medicinal products. A draft EEA Joint Committee Decision was sent to the Commission in spring 2006. Adaptations proposed by the EEA EFTA Member States triggered discussions and requests for clarifications within the Commission, postponing adoption until 2007. EFTA Experts cleared a three-year backlog with regard to the publication of EEA EFTA Member States marketing authorisations for medicinal products in the Official Journal of the

European Union. The lists for 2003, 2004 and 2005 were compiled and published in 2006. Marketing authorisations lists for the first half of 2006 have been noted by the EEA Joint Committee and will be published in early 2007.

Chemicals

A revision of certain derogations in the field of dangerous substances for Liechtenstein and Norway was finalised in 2006. A draft Joint Committee Decision concerning the integration of several acts, including a Regulation on persistent organic pollutants was prepared by the Expert Group on Chemicals. The Expert Group closely monitored the developments of the REACH Regulation which was finally adopted on 18 December 2006. The Regulation will require producers and importers of chemicals to register substances and to provide a set of safety testing results before the products are placed on the market. The most hazardous substances will require an authorisation in order to be legally marketed.

The preparations for the integration of the REACH Regulation into the EEA Agreement, and EEA EFTA participation in the European Chemicals Agency (ECHA) in Helsinki commenced in 2006. A Commission proposal concerning the restriction of perfluorooctane sulfonates (PFOS) was followed by the Expert Group. Another proposal for a new framework legislation for plant protection products was monitored by the Ad hoc Group on Plant Protection Products.



The REACH (Registration, Evaluation and Authorisation of Chemicals) regulation has been the subject of one of the most intensive lobbying campaigns in the EU's history. © ISOPIX



Trade in Wine

A long-standing comprehensive revision of Protocol 47 on the abolition of technical barriers to trade in wine came to a successful conclusion with the incorporation of 22 acts in June 2006.



of the EEA market. The Protocol guarantees that whenever the Community takes the initiative to negotiate MRAs, it will negotiate on the basis that the third countries concerned will conclude with the EFTA States parallel MRAs equivalent to those to be concluded by the Community. Through this system of parallel agreements, third countries are granted simplified market access throughout the EEA for the sectors covered, and vice-versa.

Two MRAs between the EEA EFTA Member States and the USA came into force on 1 March 2006: a framework agreement covering three product sectors (telecommunications equipment, electromagnetic compatibility and recreational crafts) and a separate MRA on marine equipment, which also includes the harmonisation of product requirements. The EFTA Committee on TBT prepared a draft Protocol to the EFTA-Turkey Free Trade Agreement on Mutual Recognition of Conformity Assessment. The draft was presented to Turkey in 2006 and the initial response was positive.

Market Surveillance and Consumer Product Safety

The EFTA countries participate in the work of PROSAFE, the product safety enforcement forum of Europe, consisting of an informal network of market surveillance enforcement authorities. This organisation was successful in its application for EU financing for an extensive three-year project entitled EMARS - enhancing market surveillance through best practice - which commenced in January 2006. The Secretariat for this project is located in the EFTA building in Brussels. The EEA EFTA Member States participate as observers in the Commission's Committee of Directive 2001/95 on Consumer Product Safety, which delivers opinions on draft Commission decisions related to products presenting serious and immediate risks.

Mutual Recognition Agreements

Mutual Recognition Agreements (MRAs) are instruments that facilitate market access to third countries by reducing the costs and time associated with obtaining product certifications.

When the Community extends the Internal Market to a third country, Protocol 12 of the EEA Agreement ensures the smooth functioning and the homogeneity

Energy

On 8 March 2006, the Commission launched a Green Paper on the European Strategy for Sustainable, Competitive and Secure Energy. The Green Paper endeavors to equip the EU to play a full role in global markets, to improve sustainability in the EU and globally, to complete the Internal Market and to reflect on the strategic role of energy in achieving other political objectives. The EEA EFTA Member States submitted EEA EFTA Comments to the Green Paper on 22 September 2006.

The Green Paper builds upon three priorities: Competitiveness, Environment and the Security of Supply. Regarding Competitiveness, the EU gave priority to the implementation of current legislation in 2006. The EEA EFTA Member States discussed the Regulation concerning the access to gas transmission networks which forms part of the second liberalization package for incorporation into the EEA Agreement.

Concerning the Environment, renewable energy continued to be promoted in the EU. The Renewable Directive entered into force in the EEA EFTA Member

States on 1 September 2006. Moreover, the Working Group on Energy Matters examined the Eco-design Directive and participated actively in the Intelligent Energy Europe Programme. The Working Group also worked for the incorporation of the Competitiveness and Innovation Programme.

On the issue of Security of supply, the Working Group discussed two acts for incorporation into the EEA Agreement, namely the Directive on measures to safeguard security of supply and infrastructure investment, and the Directive on energy end-use efficiency and energy services. The EEA EFTA Member States were also invited to the EU's conference on Europe's external energy policy: Towards an EU external energy policy to assure a high level of supply security.

Competition Policy

Strict competition rules have been introduced into the EEA Agreement in order to prevent companies from establishing barriers that would reduce the benefits gained from the free movement of goods. In order to create a homogeneous EEA with equal conditions for competition, the same rules apply for all undertakings throughout the entire EEA. In 2006, the Working Group on Competition Policy finalised their work on two Regulations on the application of Article 81 (3) of the EU Treaty, granting an exception from the competition rules to certain categories of agreements, decisions and concerted practices. They also finalised a draft agreement amending Protocol 4 of the Surveillance and Court Agreement. The EEA Joint Committee incorporated these acts into the Agreement in December.

The Working Group worked on access for the EEA EFTA Member States to the meetings of the European Competition Network (ECN) and the amendments needed to Protocol 23 to ensure that access. The Working Group also worked on a draft Agreement amending the structure of Protocol 4 to the Surveillance and Court Agreement (P4 SCA). The structural revision was deemed necessary, given the numerous changes to P4 SCA over the last years. The work on the draft Agreement will be finalised in 2007.

State Aid

In line with the EC Treaties, the EEA Agreement generally prohibits any measures that can be identified as state aid, including grants, soft loans and tax concessions, which may distort trade. However, it is possible to take certain political, economic and social considerations into account.

During 2006, the EEA EFTA Member States closely followed the State Aid Action Plan which was launched by the Commission on 7 July 2005. In this regard, the block exemption on regional aid was incorporated into the EEA Agreement on 8 December 2006. Moreover, the EEA EFTA Member States participated in multilateral meetings in which the proposal for the extension of the current block exemptions, a revision of the de minimis Regulation and the revision of the Enabling Regulation were discussed. The EEA EFTA Member States also obtained the right to participate in the State Aid Network created by the Commission, whose purpose is to create better cooperation between the Commission and the Member States, as well as among the Member States themselves.

Public Procurement

The Legislative Reform Package on Public Procurement was incorporated into the EEA Agreement on 2 June 2006. It introduced more flexibility for the contracting authorities and put electronic means of communication on an equal footing with traditional means. Additionally, the contract award criteria take the environment into account.

The Working Group on Public Procurement discussed the entry into force of this reform and the implementation of the package. Moreover, the Commission's proposal for the revision of the remedies Directives and the draft interpretative Communication on the application of Article 296 on the public contracts of defence were discussed. The EEA EFTA Member States also participated in the Advisory Committee meetings on Public Procurement.

Intellectual Property

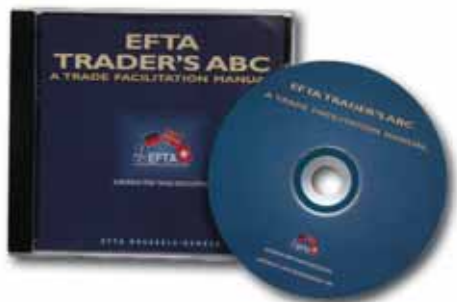
The EEA Agreement contains provisions on intellectual property rights, whose main purpose is to



provide harmonised EEA rules on intellectual property, while ensuring a high level of protection. The Working Group on Intellectual Property followed the developments of the work for a levy reform and review of the EC legal copyright acquis. They also monitored the proposal for a Regulation on medicinal products for paediatric use and the Commission's work on the future of the Patent Policy in Europe. The Working Group is discussing the EEA relevance of a proposal for a Directive on criminal measures aimed at ensuring the enforcement of intellectual property rights, which is to bolster the fight against counterfeiting and piracy.

Efficient Trade Procedures

The EFTA Group of Experts on Efficient Trade Procedures (GEETP) met twice in 2006. The Group discussed, inter alia, cooperation on trade facilitation matters with the EFTA partner countries.



In 2006, the GEETP finalised the revision of Volume I of the EFTA Trader's ABC handbook. This is a handbook on trade facilitation which provides background information on trade practices for those interested or engaged in international trade practices. The new version of Volume I can be downloaded from the EFTA website.

Free Movement of Services and Capital

Subcommittee II on the Free Movement of Capital and Services under the EFTA Standing Committee coordinates matters of financial services, transport, information and telecommunications services, audio-visual services, postal services and company law, as well as data protection.

In addition, an Ad Hoc Working Group on Services in the Internal Market reports to Subcommittees II, III and IV.

Services

The Ad Hoc Working Group on Services, which reports to three Subcommittees, was established in March 2004 to follow and assess the proposed Directive on Services in the Internal Market in the context of the EEA Agreement. The proposal aims to create a real internal market in services by removing administrative and legal barriers to the cross-border provision of Member States. In order to fully understand the scope and potential implications of the proposal, the Working Group met with representatives of the Commission and the Council, and actively followed the political developments in 2006. The Group's mandate was prolonged to May 2007.

Financial Services

The Working Group on Financial Services assisted in the incorporation of a number of key legislative acts into the EEA Agreement including the IORP (Pensions) Directive, the 3rd Money Laundering Directive and the Reinsurance Directive.

One important challenge for the Working Group is finding an effective way to deal with the increased workload from the new comitology procedures for the regulation of the securities markets (Lamfalussy process) which results in a relatively large number of highly technical implementing directives and regulations. This process has been extended to the entire financial sector.

During 2006, the Working Group discussed several initiatives of key importance to the EEA EFTA States with the Commission, including the payment services Directive, the Transparency Directive implementing measures and the MiFID implementing measures.

Company Law

Company law and corporate governance are priority areas for the EU. The Working Group on Company Law has considered a number of new policy initiatives and proposals emanating from the Company Law and

Corporate Governance Action Plan. In addition to being seen as an area where European level action is needed for a well-functioning Internal Market, several of the initiatives are also a response to financial scandals both in the USA and in Europe.

The Working Group discussed with the Commission, as well as representatives of the Council and the European Parliament, a number of EU policy initiatives. These included the proposal for a Directive on Shareholders' rights and the simplification of the 2nd Company Law Directive. The former will continue to be high on the Group's agenda in 2007. The Group also dealt with a series of EC regulations covering the application of international accounting standards.

Information and Telecommunications Services

The Working Group concentrated its work on the review of the legal framework on electronic communications. The EEA EFTA States participated with EEA EFTA Comments in the public consultation which the Commission held in summer 2006 on their plans to review the existing regulatory framework for electronic communications networks and services and on a proposal for an amended recommendation on relevant product and services markets within the electronic communications sector susceptible to ex-ante regulation. It is the last step before publishing a proposal for amending the so-called Telecommunications Framework in place since 2002 and incorporated into the EEA Agreement in 2004.

A second priority was the participation of EEA EFTA experts in the discussion on further harmonisation of spectrum on a European level, which is needed to boost the markets of electronic communications services. A further EEA EFTA Comment was handed over to the Commission to ensure participation of the EEA EFTA States in the assignment process of harmonised phone numbers, starting with 116 for pan-European services of social value.

Expert Group on Data Privacy

The Expert Group on Data Privacy focused on the Commission Decisions relating to the transfer of

Personal Name Records (PNR) of air passengers to the authorities of the United States and the consequences for the EEA EFTA States. The Expert Group met with the Commission in order to be updated on any further development in the field of data protection and on the meetings of the Article 31 Committee and of the Article 29 Working Group of Data Protection Authorities.

Audio-visual Services

The EEA EFTA States continued their active participation in the review process of the Television without Frontiers Directive initiated by the Commission in 2003. In July, they submitted EEA EFTA Comments to the proposal of the Commission amending the Television without Frontiers Directive which is currently being discussed in the Council and the Parliament. They also had direct contact with the two legislative bodies of the EU and with the Commission in order to communicate their stand on the matter.

On 25 January 2006, the Working Group organised, together with the Working Group on Cultural Affairs, a seminar for EFTA experts on the digitisation and online accessibility of cultural material and digital preservation.

The Working Group closely followed the discussion on the proposal for the new MEDIA 2007-2013 programme and prepared the necessary steps for a timely participation of the EFTA States in the programme.

Postal Services

The Working Group on Postal Services coordinated its meetings with the Consultative Committee for the Postal Services Directive 2002/39/EC, in which the EEA EFTA States participate as observers. In collaboration with the Commission unit responsible for postal services, the Working Group discussed the Commission's proposal to amend the Postal Service Directive, which confirms the full opening of the market for postal services by 2009. The EEA EFTA States are contributing to the second exercise of collection of postal data, which the Commission undertook in 2006. They also co-finance the two external studies on the impact of the full accomplishment of the postal internal market in 2009 on universal services and the study on the main developments in the European postal sector, which was published in 2006.



Transport

A significant number of proposals for new EU acts were considered and discussed in depth with the Commission. The Working Group also met with both EU presidencies. The EFTA States have actively participated in the various EU working groups in the transport field.

Land Transport

The most important achievement of 2006 in this field was the incorporation of the Regulation on minimum safety requirements for tunnels and the Directive on the interoperability of electronic road toll systems into the EEA agreement.

The Working Group closely monitored and discussed the developments of the proposals in this field, especially concerning the Third Railway Package, driving licenses and the revised proposal for a regulation on public transport services by rail and road.

Maritime Transport

The Working Group considered a number of policy initiatives and proposals, inter alia, related to maritime safety and security. The Regulation on port security was incorporated into the EEA Agreement along with several other directives on maritime safety.

The maritime safety legislation package, introducing seven new proposals, was high on the agenda for the Group in 2006.

Two EEA EFTA Comments were handed over to the Commission regarding the proposal for a Directive concerning the investigation of accidents in the maritime transport sector and on the proposal for an amendment of Regulation 417/2002 on the accelerated phasing in of double hull tankers.

These will continue to be high on the Working Group's agenda for 2007.

Air Transport

A significant event in 2006 was the incorporation of the Regulations establishing a single European Sky (Single Sky package) into the EEA Agreement.

Furthermore several other regulations concerning aviation safety and security were discussed and incorporated into the EEA Agreement.

The Working Group considered a number of policy initiatives and proposals, and the Regulations concerning the establishment of the community list of air carriers which are subject to an operating ban were the issues with the highest profile in this field.

Other Transport Issues

Since 2005 the EEA EFTA States have participated in the programme which grants financial assistance to improve the environmental performance on the freight transport system (Marco Polo). The developments of the proposal for a Marco Polo II programme were closely followed by the Working Group. The possible future EEA EFTA participation in this programme was high on the agenda in 2006 and a decision is awaited in early 2007.

Another important issue for discussion in 2006 was the Mid-term review of the White Paper: "Keep Europe moving-Sustainable mobility for the European continent".

Free Movement of Persons

Subcommittee III on the Free Movement of Persons under the Standing Committee coordinates matters related to all aspects of the movement of people, including the mutual recognition of diplomas and social security.

Two of the Working Groups (Free Movement of Workers and Employment and Social Security) discussed with the three other concerned Working Groups under Subcommittee IV the possible participation of the EEA EFTA States in the Community programme for employment and solidarity - PROGRESS for the period 2007 to 2013 and met several times with the Commission in this regard.

Free Movement of Workers and Employment

The Working Group on the Free Movement of Workers and Employment mainly dealt with the preparation of the report on the Functioning of the Transitional Arrangements set out in the 2003 EEA

Enlargement Agreement (period 1 May 2004 to 30 April 2006). All the EEA EFTA States considered that the transitional arrangements had the desired effect and that their aim was reached. The Working Group also discussed the transitional measures that the EEA EFTA States will apply with regards to workers from Bulgaria and Romania.

In April, the EEA EFTA side met for the fourth time with the EU Employment Committee (EMCO), whose task is to monitor the employment situation and employment policies in the EU Member States. At this meeting, the EEA EFTA States informed the EMCO on their labour market situation. The participants then exchanged views on 'productivity and the people at the margin of the labour market', problems arising from the systems and reforms to address the problems.

The EEA EFTA States continued participating in the Technical Committee dealing with the free movement of workers and attended a meeting of the Advisory Committee on free movement of workers.

Social Security

The main task of the Working Group on Social Security was to continue discussions regarding the Regulation of 2004 simplifying the co-ordination of the social security systems which will replace the existing Regulation 1408/71. The Working Group also followed the developments concerning the Commission's proposal for a new Implementing Regulation which will replace the existing Regulation 574/72.

The EEA EFTA States continued to take part in the meetings of the Administrative Commission on Social Security for Migrant Workers and in its various working parties, as well as in the Technical Commission on Data Processing and the Audit Board.

The EEA EFTA States also participated in MISSOC, a mutual information system on social protection in the European Union.

Recognition of Professional Qualifications

The Working Group on the Recognition of Professional

Qualifications mainly concentrated its work on the preparation for the incorporation of the Directive of 2005 clarifying and simplifying the rules on the recognition of professional qualifications.

The EEA EFTA States took part in the Committee on the recognition of professional qualifications, which replaced the Group of Coordinators for the general system of recognition of diplomas. They also followed the meeting of the Advisory Committee (Architecture).

European Employment Services (EURES)



Since the EEA Agreement entered into force in 1994, Iceland and Norway have been fully integrated into the EURES (EUROpean Employment Services) network. An important year was 2006 as the European Commission launched a new EURES portal in May which enables direct access in 20 EU languages to about 1 million job vacancies published by 29 public employment services in Europe. See <http://ec.europa.eu/eures/>

Flanking and Horizontal Policies

Subcommittee IV on Flanking and Horizontal Policies under the Standing Committee coordinates matters related to all aspects of the horizontal provisions of the EEA Agreement as well as cooperation outside the four freedoms.

Fifteen Working Groups report to Subcommittee IV.

Subcommittee IV worked actively towards ensuring EEA EFTA participation as early as possible whenever new and successive programmes were adopted by the EU.

During 2006, four Working Groups have been preparing for possible EEA EFTA participation in the Competitiveness and Innovation Programme (CIP) for the period 2007 to 2013. This work has been coordinated by the Working Group on Enterprise Policy, in cooperation with the Working Groups on Information and Telecommunication Services (SC II), Environment, Research and Energy matters (SC I). The

Secretariat met several times with the Commission in this regard. CIP merges six existing programmes in the field of competitiveness and innovation and is targeted towards small and medium sized enterprises.

Three Working Groups (the Disabled, the Elderly and Social Exclusion, Gender Equality and Family Policy and Health and Safety at Work and Labour Law) discussed, with the two other concerned Working Groups under Subcommittee III the possible participation of the EEA EFTA States in the PROGRESS Programme.

Research and Development

A key focus for the Working Group on Research and Development in 2006 was following the preparations on the Seventh Framework programme (FP7) for Research and Technological Development (2007-2013).

In 2006, the EEA EFTA States participated in the preparatory action for the enhancement of European security research, which will be included as a component of the FP7 as from 2007.

Finally, the Working Group followed the developments with regards to the establishment of a European Research Council.

Environment

The EEA Joint Committee adopted decisions in the areas of eco-label, end-of-life vehicles and waste packaging.

The Working Group on the Environment discussed policy documents and progress in the field of environmental legislation on several occasions with the Commission. Among the topics discussed were: the thematic strategies in the fields of waste and the urban environment and related proposals for legislation. The Group discussed the proposal for a Directive on environmental infrastructure for spatial information in Europe and the revision of the IPPC Directive.

The Group met with the Finnish Presidency to discuss its priorities for the second half of 2006 and with the German Presidency to discuss its priorities for the first half of 2007.

Education, Training and Youth

The EEA EFTA States participate in the Socrates, Leonardo da Vinci, and Youth programmes (2000-2006), Europass (2006), the Erasmus Mundus programme, the e-Learning programme (2004-2006) and in the Community action programmes to promote bodies active at European level in the field of education and training as well as youth.

The Commission's proposal for the Lifelong Learning programme (2007-2013) and the Youth in Action programme (2007-2013) were the main priority areas of the Working Group in 2006.

The Working Group followed the development of a European Qualification Framework (EQF), which is a translation tool for comparing and transferring qualifications across the EEA.

Also the Working Group monitored the new legal framework for educational statistics, the proposal for key competences for lifelong learning and the proposed European Quality Charter for Mobility.

The Disabled, the Elderly and Social Exclusion

In 2006, the EEA EFTA States continued active participation in the anti-discrimination and social exclusion programmes. The EEA Decision on the European Year of Equal Opportunities for All was adopted on 27 October 2006, allowing the EEA EFTA States to participate fully in the activities under the European Year in 2007.



Gender Equality and Family Policy

In the field of gender equality, the EEA EFTA States and the Working Group continued their active participation in the EU Programme Community Framework Strategy on Gender Equality (2002-2006), and in Daphne II, the EU programme on Community action to prevent violence against children, young people and women and to protect victims and groups at risk (2004-2008). The Group prepared for possible

participation in Daphne III (2007-2013), the European Gender Equality Institute and the new programme for Employment and Social Solidarity (PROGRESS).

Health and Safety at Work and Labour Law

In the field of health and safety at work and labour law, Directive 2004/40/EC on the protection of workers from the risk related to exposure of workers to electromagnetic fields, was incorporated into the EEA Agreement.

The experts continued to follow the development of the proposed Working Time Directive and prepared for the incorporation of a Directive on physical agents protecting workers from the risks related to exposure from optical radiation.

A key focus for the Working Group was the Commission's Green Paper on Labour Law.

The Working Group prepared for EEA EFTA participation in the PROGRESS programme and organised a seminar on Labour Law and Flexicurity together with the EFTA Consultative Committee on 7 December 2006, page 43.

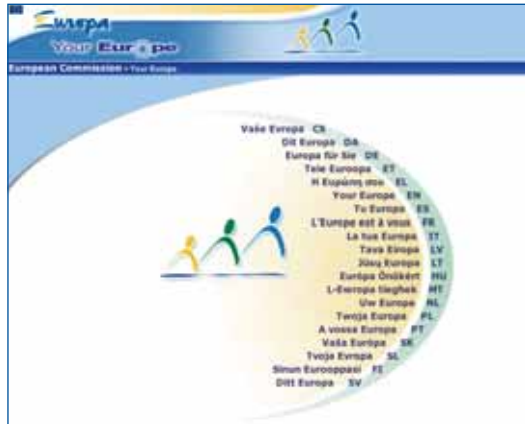
Consumer Protection

The EEA Joint Committee adopted Decisions for the incorporation of the Directive on Unfair Commercial Practices (UCP Directive) and the Regulation on cooperation between national authorities for the enforcement of consumer protection laws in the EEA Agreement.

The EEA EFTA States took part in the cooperation between the Commission and Member States for the implementation of the UCP Directive. They also participated in the permanent Comitology Committee established by the Regulation on enforcement cooperation.

The EEA EFTA States closely followed the developments of the contract law and the "revision of *acquis*" initiatives.

The EEA EFTA States continued their participation in the Consumer Policy Network (CPN) with the Commission.



The EU -Your Europe- portal (www.europa.eu.int/youreurope) provides EEA citizens and businesses with detailed practical information on rights and opportunities in the Internal Market, plus advice on how to exercise these rights. The EEA EFTA States participate fully in this action following the incorporation of the IDABC programme, and have started to translate the portal into Norwegian and Icelandic.

Consumers' Consultative Committee

The Consumers' Consultative Committee, made up of representatives of the consumers' organisations in the EEA EFTA States, has an advisory role on consumer issues. The Committee met in June in connection with an ANEC meeting, an organisation responsible for coordinating consumer participation in European standardisation.

Enterprise Policy

A main task of the Working Group in 2006 has been to prepare for EEA EFTA participation in the Competitiveness and Innovation framework Programme (CIP) which was adopted by the EU on 12 October and published on 9 November. The programme is the main legal basis grouping all Community actions in the field of innovation and competitiveness, consisting of the Entrepreneurship and Innovation Programme (EIP), the ICT Policy Support Programme (ICT), and the Intelligent Energy-Europe Programme (IEE). The EFTA Working Group on Enterprise Policy, was designated to coordinate the EEA EFTA process on CIP.

The EEA EFTA States continued active participation in the Multi-annual programme for Enterprises and



Entrepreneurship (MAP) and in other EU initiatives that aim to enhance the business environment for small and medium-sized enterprises (SMEs).

The development of SOLVIT has been followed by the Working Group during 2006. SOLVIT is an on-line problem-solving network through which the authorities work together to solve problems caused by the misapplication of Internal Market law by public authorities without legal proceedings.

The Working Group followed the EU Better Regulation agenda in 2006 and had several presentations by the Council and the Commission on the issue. A note was produced by the Secretariat on the Better Regulation agenda and EFTA in the area of Enterprise policy and SMEs.

The new EU innovation strategy was launched during the autumn of 2006 and was carefully monitored by the Working Group. Indeed, the Working Group on Enterprise Policy initiated the EFTA conference on "The New EU Innovation Strategy and the European Economic Area", explained under Information Activities on page 43.

The Working Group monitored the development of the Internal Market Information (IMI) system, which will provide Member State administrations with a multi-lingual, open and flexible database tool to support the

mutual assistance and information exchange required to implement Internal Market legislation efficiently. The EEA EFTA countries have given input on several aspects of the IMI system.

Civil Protection

The EEA EFTA States continued to participate actively in two programmes in the field of civil protection: the Community Mechanism and the second Community Action Programme in the field of civil protection.

In 2006, the Working Group closely followed the Commission's preparation for the Civil Protection Financial Instrument 2007-2013, replacing the old programme, the revision of the Community Mechanism, and new proposals concerning European Critical Infrastructure.

Cultural Affairs

The Culture 2000 programme for the period 2005-2006 has been followed by the Working Group in 2006, as well as the preparations for the next Culture 2007 (2007-2013) programme.

On 25 January 2006 the Working Group organised together with the Working Group on Audiovisual services, a seminar for EFTA experts on the digitisation and online accessibility of cultural material and digital preservation at which the Commission presented its Communication on "i2010: digital libraries".

The Working Group monitored the preparations for the "Europe for Citizens" programme (2007 -2013) as well as the proposal for a European Year for Intercultural Dialogue (2008) and organised meetings with the Commission, the Council and the Parliament in these areas. Following an initiative by the Working Group, a letter was sent to the Finnish EU presidency asking for EEA EFTA participation in the European Year for Intercultural Dialogue in 2008.

Public Health

The Working Group primarily concentrated its work on preparations for the new Public Health Programme 2007-2013. A new Programme on Drugs Information



Roger Havenith, European Commission, Economic and Financial Affairs DG, speaking at the conference on "the New EU Innovation Strategy and the European Economic Area".

and Prevention was also followed closely by the Group. The EEA EFTA States continued active participation in the current Public Health Programme (2003-2008) and in the numerous experts groups and networks financed by the Programme. In May 2006, the Working Group submitted EEA EFTA Comments on the Commission's Green Paper on Mental Health. The EEA Decision on the European Centre for Disease Prevention and Control (ECDC) entered into force on 19 May 2005 and the EEA EFTA States have subsequently taken part in the Management Board and the Advisory Forum of the ECDC.

Heads of EFTA National Statistical Institutes

In 2006, the Working Group of the Heads of EFTA National Statistical Institutes (EFTA NSIs) dealt in particular with:

- the development of the 2006 EEA Annual Statistical Programme based on an exhaustive assessment of the EEA relevance of the EC Annual Statistical Programme by modules;
- the improvement of the EEA EFTA visibility in comitology committees in the field of statistics other than the Statistical Programme Committee. For the latter, good practice already exists, and
- the secondment of EEA EFTA experts to Eurostat, the Statistical Office of the European Community.

The Working Group of Heads of National Statistical Institutes assists Subcommittee IV in all issues related to statistical cooperation under the EEA Agreement, in particular the implementation of the statistical programme and the inclusion of new legislation in the Annex XXI. The Working Group consists of Directors-General of the EFTA NSIs; Switzerland having an observer status on EEA relevant matters. The Working Group meets at least once a year and is assisted by the EFTA Statistical Office in Luxembourg (ESO).

Budgetary Matters

The main tasks of the Working Group is to monitor and coordinate the preparation of the yearly EEA EFTA budget covering the EEA EFTA contributions to the EU budget in return for participation in EU programmes,

actions, services and agencies. The principles applied in relation to the contributions are set out in Article 82 and Protocol 32 of the EEA Agreement.

The contributions to the operational costs of the joint EU activities are defined by applying the "proportionality factor" to the relevant EU budget lines. In 2006, the proportionality factor was 2.06% compared to 2.11% in 2005. The EEA EFTA States committed themselves to contribute with EUR 139 million to the operational costs of the EU budget in 2006; an increase from 136 million in 2005. The corresponding EEA EFTA payments in 2006 were EUR 128.1 million; an increase from EUR 100.2 million in 2005.

Within the EEA programme cooperation, the EEA EFTA States also contribute to the Commission's administrative costs. The amount of this contribution is negotiated yearly for each programme. An important part of this contribution is provided in-kind through the secondment of national experts, cost-free for the Commission.

The arrangement of secondment of national experts provides for an extremely valuable exchange of expertise both for the Commission and the EEA EFTA States. In 2006 it was agreed through the budgetary procedure to second 30 EEA EFTA national experts to the various Directorates within the European Commission dealing with the joint EU programmes and activities.



EEA EFTA Financial Contributions 2005 - 2006*

Fig. 3

Programme Area or Activity	EEA EFTA Contributions (EUR)	
	2005 (EUR)	2006 (EUR)
Research	69 988 231	97 869 606
Information services	1 269 840	1 109 355
Environment programmes	625 549	660 928
Education, training and youth	14 806 773	15 973 611
Social policy	1 336 483	724 630
Consumer protection	466 436	366 882
Enterprises, SMEs & tourism	2 138 700	2 935 038
Audio-visual sector	2 090 370	1 923 561
Civil protection	153 576	131 875
Culture	840 469	956 824
Energy	795 747	634 876
Employment	692 802	432 907
Public health	1 141 252	665 061
Telematic Interchange of Data between Administrations	634 360	168 893
Statistics	992 394	834 546
Technical regulations, standards, testing and certification	552 873	697 970
Transport	1 647 073	2 015 497
Total EEA EFTA Contribution (EUR)	100 172 928	128 102 060

* The table shows the financial contribution paid by the EEA EFTA States to the European Commission in 2005 and 2006 in the Framework of EEA EFTA participation in EU programmes and agencies. It should be noted that the financial contribution in 2005 is artificially high as it includes two programmes (Safer Internet Plus and IDABC) and two agencies (European Railway Agency and European Network Information Security Agency) for which legal basis in the EEA agreement was not established within the year. The contributions related to these programmes and agencies will be deducted from the financial contribution in 2007.

EEA EFTA comments submitted to the EU in 2006

The information and consultation process of the EEA Agreement gives the EEA EFTA States the right to submit to the EU its views on forthcoming legislative measures in areas covered by the EEA Agreement. The comments are elaborated by Working Groups, cleared by relevant subcommittees, endorsed by the Standing Committee and officially noted by the Joint Committee after they have been sent to the relevant services in the Commission and in the European Parliament. The full texts of the comments can be found on EFTA's website.

- New Strategy for the Internal Market;
- Revision of the new approach;
- Television without Frontiers Directive;
- Green Paper for a European strategy for sustainable, competitive and secure energy;
- Investigation of accidents in the maritime transport sector;
- Public Consultation on the Review of EU Regulatory Frameworks for Electronic Communications Networks and Services;
- Relevant Product and Service Markets within the electronic communications sector susceptible to ex ante regulation;
- Proposal for a Regulation on the accelerated phasing-in of the double hull or equivalent design requirements for single-hull oil tankers;
- Commission Green Paper on mental health;
- 2006 Review eCommunications Framework;
- Mutual recognition principle and proposed Commission Decision on reserving the number range beginning with '116'.

EFTA-EU Cooperation in the Field of Statistics

The main objective of EFTA statistical cooperation within and outside the framework of the EEA Agreement is to contribute to the development of a broad and integrated European Statistical System (ESS).

The EFTA Statistical Office (ESO) was created in the perspective of the EEA Agreement to liaise between Eurostat - the Statistical Office of the European Communities - and the EFTA National Statistical Institutes (NSIs). In 2006, as in previous years, ESO's main objective was to sustain the integration of the EFTA States in the evolving ESS and thus to provide harmonised and comparable statistics supporting the general cooperation process between EFTA and EU within the EEA Agreement.

Role and Visibility of EFTA in the ESS

Despite Eurostat's main concern to be ready for the accession of Romania and Bulgaria on 1 January 2007 and the nomination of Hervé Carré as the fourth Director-General of Eurostat within three years, the ESO succeeded in maintaining, and even increasing, the visibility of the EFTA in the ESS. In addition to its current activities, ESO and the EFTA National Statistical Institutes ensured in 2006:

- an increasing availability of EFTA data in Eurostat databases and publications;
- an active involvement of the EFTA in EU technical cooperation programmes in the field of statistics toward European and non-European third countries;
- a major contribution to the development of the European Statistical Training Programme.

Production and Dissemination of EFTA Statistics

Protocol 30 of the EEA Agreement specifies that statistical information from EEA EFTA States shall be transmitted to Eurostat for storage, processing and dissemination. Since 2004, all Eurostat statistical data and publications are available electronically and free of charge. As a result, the number of visitors to Eurostat's website and users of European statistics have continued

to increase. Consequently, statistical data and indicators for EFTA countries are also exposed to a wider number of users, making the availability of high quality data even more important.

ESO is working on the inclusion of EFTA data in Eurostat databases and publications on a continuous basis. This activity requires constant monitoring of the treatment of EFTA data in Eurostat's dissemination process from ESO. In 2005 and 2006, a major objective for ESO was to intervene at an early stage of the process. Therefore contacts and meetings with the main stakeholders in EFTA NSIs and Eurostat were made throughout the year. Eurostat was reminded about their obligations to include, when available, data from all EEA EFTA countries and, in the near future, from Switzerland as well.

The tangible result of this joint initiative between ESO, the EFTA NSIs and Eurostat was that more EFTA data than ever before were included in Eurostat databases and publications. However, a detailed inclusion study carried out by ESO in summer 2006 showed that for some broad audience publications like "Statistics in Focus" the inclusion rate of EFTA data could still be improved. Consequently, the important objective for ESO of ensuring the inclusion of EFTA data in Eurostat publications will require further actions in the coming years.



Gabriel Gamez, EFTA Statistical Adviser, meets Minister of Justice and Deputy Prime Minister Klaus Tschütscher to inform about his work and learn about the Statistical Office in Liechtenstein. They discussed the role of Liechtenstein in the European Statistical System and the quality principles of the new European code of conduct for Statistical Offices.

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EFTA Participation in Eurostat Working Groups and Committees

In 2006, Eurostat organised approximately 218 meetings to prepare and implement new legislation, exchange and develop methodologies and follow up data collection. The EFTA Member States participate actively in the EEA-relevant meetings. Apart from not having the right to vote in formal committees (comitology), the EEA EFTA delegates have the same rights as the EU participants. Swiss delegates have observer status.

Technical cooperation in the field of statistics

Impartial and reliable statistical data are widely considered as a prerequisite for a democratic society and a necessary condition for the smooth running of a competitive market economy. Thus, EFTA and the European Union have a common interest in assisting countries neighbouring the enlarged European Economic Area to develop their statistical capacity and to harmonise statistical methods and standards with international norms.

Joint EFTA-EU technical cooperation programmes in the field of statistics are governed by a Memorandum of Understanding (MoU). This MoU, which covers a three-year period (2005-2007), means (for the EFTA Secretariat) funds totalling EUR 1.74 million. EFTA's involvement in technical cooperation programmes under the MoU gives priority to countries that have concluded declarations on cooperation or free trade agreements with EFTA. Support is mainly granted to developing countries and economies in transition in the Balkans (CARDS) and Mediterranean (MEDSTAT) regions and to recent and prospective partner countries to the eastern boundary of the enlarged EU.

Two EFTA national experts are seconded to Eurostat as part of the contribution to ensure continuity of support and EFTA visibility in the overall programming and management of EFTA-EU actions.

In 2006, the main technical cooperation activities and projects in the field of statistics were:

- a Strategic Management Seminar (SMS) on Dissemination and Communication of Official Statistics. The seminar was held in Neum, Bosnia & Herzegovina and was designed for Directors-General, heads of international department and information officers from statistical agencies of the Western Balkan Countries (WBCs), Turkey, Bulgaria and Romania. Participants were acquainted with modern communication and interaction strategies with different user groups: national and regional authorities, international organisations, media, researchers and other stakeholders. Sessions were chaired by representatives from Statistics Norway (SSB), the Swiss Federal Statistical Office (SFSO), Eurostat, UNECE and the EFTA Statistical Office (ESO);
- measuring the non-observed economy in Western Balkan countries (WBCs). The aim of this major project, financed by the EFTA Secretariat, is to enable the WBCs to tackle the problem of the non-observed economy in a sustainable and systematic manner in the production of official statistics, in particular their national accounts. ESO invited the OECD and Statistics Norway to join the project and to assist the WBCs in revaluing their main macro-economic indicators including capital stock estimates. A concluding workshop will be organised by the end of 2007;
- a training course on advanced sampling surveys supporting the overall MEDSTAT programme. The course was designed for statisticians from French speaking Mediterranean countries using sample survey techniques in the production of official statistics. The course was given by SFSO and the University of Neuchâtel, Switzerland. A replication of this course is foreseen in October 2007 for the English speaking Mediterranean countries;
- a seminar on external trade statistics for the New Independent States (Eastern European and Central Asian countries) in the framework of the TACIS programme. Representatives from National Statistical Institutes and Customs authorities of 15 countries, including Russia and the Ukraine, from the European Commission and the Committee of Independent State (CIS) participated. The aim of

In order to maintain a high level of competence and to ensure data consistency throughout the European Statistical System (ESS), statisticians require continuous training in new methods, new techniques and best practices. In 2004, after the closing down of the external body providing training for statisticians, the overall implementation of the programme was returned to Eurostat. EFTA always attached great importance to quality and comparability of European statistics and therefore supported Eurostat in the design and implementation of an ambitious European Statistical Training Programme (ESTP).

In view of securing the full participation of EFTA statisticians in the ESTP, the EFTA Secretariat committed itself through an exchange of letters with Eurostat to finance annually the organisation of at least two courses. These courses are provided by EFTA National Statistical Institutes and open for participation of statisticians from EFTA and EU Member States. In return, Eurostat ensures and, if necessary, will inform future contractors that EFTA statisticians have the right to participate in all ESTP courses financed by Eurostat.

In 2006, two courses were organised by Statistics Norway (SSB) and one by the Swiss Federal Statistical Office (SFSO); respectively on user friendly dissemination of official statistics on Internet, use of administrative registers in production of statistics and Data Analysis and Data Modelling. About 70 statisticians from EFTA States and EU Member States participated in these courses. In the same year, 25 statisticians from EFTA States had the opportunity to participate in ESTP courses financed by Eurostat.

the seminar was to present and discuss the latest developments in the domain of external trade statistics and to offer advice on how to deal with concrete issues, and

- a mirror study on external trade statistics between the Ukraine and its main economic partners. Based on a preliminary mirror study presented at the TACIS seminar and illustrating large asymmetries on external trade data between Norway and the Ukraine, the EFTA Secretariat proposed to SSB and the Ukrainian Statistical Institute to conduct a more ambitious project. The main objective was to determine, at a detailed level of the nomenclature, for Norway and other main economic partners, the reasons for major discrepancies with Ukrainian figures on external trade. A final report is expected by mid-2007.

EFTA Experts at Eurostat

Statistical experts from EFTA countries have been working at Eurostat as seconded national experts (SNEs). These secondments are important since they secure the transfer of knowledge and promote integration of the European Statistical System. Eurostat continuously expresses their interest in maintaining this

high level of EFTA expert involvement. At the end of 2006, two experts from Norway and one from Iceland were involved in the following EEA-relevant areas: PRODCOM product statistics, labour market statistics and information technology. In 2007, a fourth EEA EFTA expert will be seconded to Eurostat.

In parallel, one Norwegian and one Swiss expert were seconded to Eurostat as a contribution in kind to the EFTA-EU technical cooperation programme in the Balkans (CARDS) and the Mediterranean (MEDSTAT) areas. Technical cooperation programmes, governed by a Memorandum of Understanding between the EFTA Secretariat and Eurostat, are outside the framework of the EEA Agreement and concern therefore all 4 EFTA Member States.



FINANCIAL MECHANISMS

Financial Mechanisms 2004-2009

In 2006, the Financial Mechanisms Office (FMO), the secretariat that administers the day-to-day operations of the EEA Financial Mechanism and the Norwegian Financial Mechanism, supervised nine further open calls for proposals in eight of the 13 beneficiary states. These calls for proposals made a further EUR 138.8 million available to potential applicants, following the seven calls for proposals made in 2005 for a total EUR 271 million. All in all, the financial mechanisms had by the end of 2006 made close to EUR 410 million available to potential end-beneficiaries through 16 open calls for proposals, or around half the total amount to be made available through such calls over the five-year commitment period until April 2009. Of the 13 beneficiary states, all but Greece have announced at least one call for proposals.

The year also signalled the FMO's shift towards appraisal of applications forwarded by the beneficiary states following their calls for proposals. By the end of 2006, the FMO had received 308 applications for appraisal, screening by the European Commission (EC) and final decision by the donor states Iceland, Liechtenstein and Norway. Of these, a total 91 applications had been approved for grants totalling EUR 131.1 million, while six applications had been rejected and another two had been withdrawn by the applicants.

Of the total 308 applications received by the FMO by year-end, more than 200 had been submitted to the EC for screening. This process necessitates close cooperation and dialogue between the FMO and the Directorate General Regional Policy (DG REGIO), which supervises the EC screening process. Throughout the year, the procedures were streamlined to ensure that the screening of individual applications kept within the two-month limit set by the EC, and a national expert from Norway started to work in DG REGIO to assist in the coordination of this process.

Among the 308 applications received by the FMO by the end of 2006, there are 30 applications for the establishment of various block grants, or funds, that were agreed between the donor states and the beneficiary states in the Memoranda of Understanding (MoUs), or framework agreements, for the national-level implementation of the financial mechanisms. Through these funds, grant assistance will be earmarked to special groups or activities. The funds will be administered on a national level by a suitable intermediary. Examples of such block grants are funds for non-governmental organisations, scholarship funds and research funds.

By end-2006, 13 such block grant applications had been approved for a total EUR 34 million. Among these funds were a EUR 10 million NGO fund and a EUR 2.5 million scholarship fund in the Czech Republic, a EUR 1 million fund for NGO-projects in the environmental sector in Hungary and a EUR 2 million Polish seed money fund to support promising partnership projects.

Throughout the year, the financial mechanisms received much attention from potential applicants, stakeholders and media, both in connection with the announcements of open calls for proposals and in relation to the approval of applications. The calls for proposals were on average more than ten times oversubscribed, exemplifying both the thorough information work performed to ensure openness and transparency and the successful focus of the support from the financial mechanisms in terms of priority sectors, focus areas and procedures.

Throughout the year, annual meetings were held between the donor states and ten of the 13 beneficiary states. These meetings were both constructive in their assessment of the year that had passed, and set an ambitious platform for the year to come.

The size of the FMO staff has increased to keep up with the growing workload of appraising applications forwarded by the beneficiary states and by the end of 2006 the FMO counted 20 full-time staff and four trainees.



Financial Instrument 1999-2003

By the end of the commitment period, the Financial Instrument Committee had approved 25 projects (17 in Spain, 5 in Greece, 1 in Ireland, 1 in Northern Ireland and 1 in Portugal). The last grant agreements were signed in 2005 and had all entered into force at the end of the year. One project - the Environmental Improvement of the Sewage System at Gran Canaria in Spain - was abandoned by the beneficiary state as the project promoter was unable to fulfil the conditions for co-financing.

During 2006, the Financial Instrument disbursed in total EUR 22,173,746 towards 16 projects. Altogether, the Financial Instrument has disbursed EUR 44,745,077, which is approximately 40% of the total committed amount.

Four projects in Spain - Urban Renovation in Toledo, Vall de Joan Landfill After-treatment in Garraf, Environmental Integration and Recovery of the Right Bank of the River Adaja in Ávila and Urban and Environmental Renovation and Defence of Cultural Heritage in Hostalric - were completed in 2005.



Via de la Plata - Extremadura: The Spanish project funded by the Financial Mechanism 1994-1998 restored the ancient Roman route cutting through Extremadura, and made it a cultural backbone of the region.

Financial Mechanism 1994-1998

In January 2006 the European Investment Bank made its last project disbursements. In total, funds for 54 projects have been fully disbursed out of the total 56 projects. Funding for the remaining two projects has been withdrawn. The total grant disbursements were approximately EUR 450 million.

The Spanish project Vía de la Plata - Extremadura won the prestigious 2005 European Heritage Award in the category Conservation of Cultural Landscapes. The project received the award for its remarkable achievement in restoring the portion of the ancient Roman road "Vía de la Plata" that runs through the Extremadura region in South west Spain. The award was presented in Madrid on 27 June 2006, under the presidency of the Majesty the Queen of Spain and Europa Nostras' president, The Prince Consort of Denmark.



ADVISORY BODIES

Consultative Committees

The EFTA Consultative Committee (EFTA CC) is a forum for social partner organisations in the four EFTA countries, serving as a platform for dialogue and consultations between EFTA's trade unions and employers' organisations and between the EFTA social partners and the EFTA authorities. In 2006, the EFTA CC had four meetings and focused on topics such as developments in the Internal Market; the Growth and Jobs Strategy; the Northern Dimension and developments in EU's and EFTA's third-country relations, with special focus on the social aspects of trade.

Committee work

In April 2006, the Committee adopted an opinion on "A New Strategy for Internal Market" which it presented to and discussed with the Standing Committee of the EFTA States. In its opinion, the EEA EFTA social partners underlined the need for a stronger focus on implementation of EEA legislation and increased administrative cooperation between the EEA States. It also stressed the need to link the EEA citizens closer to the Internal Market strategy.

In June 2006, the EFTA CC met with the EFTA Ministers and discussed developments in the EEA and in EFTA's third country relations. In addition, the Committee met with the Standing Committee of the EFTA States in April 2006, with the EFTA Parliamentary Committee in June 2006 and with the EFTA Horizontal Group on the Lisbon Strategy and Other Horizontal Policy Issues in September 2006. It also organised a meeting on services in April 2006 and participated in a follow-up seminar on services and a mini-seminar on labour law and flexicurity, with relevant EFTA Working Groups in December 2006.

The Committee continues to put a lot of emphasis on these joint meetings which contribute to enhancing the dialogue with relevant EFTA authorities both at a political and administrative level.

EEA Joint Consultative Committee

The EEA Consultative Committee is a voice for workers, employers and other organisations in the 28 EEA countries. The Committee forms part of the EEA institutional set-up and met once in 2006.

At its meeting in June 2006, the Committee engaged in dialogue with the EU and EFTA Chair of the EEA Joint Committee on topics such as the EEA enlargement, the EEA financial mechanism and policy shaping.

The Committee also discussed and adopted a resolution on The Lisbon Strategy - More Sustainable Growth through National Reforms and Increased EEA Cooperation and a resolution "The Future of the Northern Dimension Policy". With regard to the Northern Dimension, the Committee invited the in-coming Finnish Presidency to discuss latest developments.

This offered the Committee an excellent opportunity to also share its views and recommendations with the Finnish Presidency ahead of the final preparations for a new joint policy between the EU, Iceland, Norway and Russia.



The EFTA Consultative Committee following the discussions at the Ministerial Meeting in Iceland.

Osmosis

Cooperation between social partners in the EEA was further reinforced in 2006 through the Osmosis procedure, which allows representatives of the EFTA Consultative Committee to participate in the work of the EESC and vice-versa. Cooperation in 2006 included, among others, EFTA participation in the EESC Joint Consultative Committee meetings with Bulgaria and Turkey, the EESC study group on the Northern Dimension, the EESC study group on civil society in Belarus and the EESC conference on civil society organisations in the Ukraine. In addition, the Co-chairs of the EEA CC, Mr Nielsen and Mr Vea, participated in the EEA JPC meeting in May 2006 and in October 2006 respectively. This reflects a more active and positive cooperation between the social partners and the parliamentarians in the EEA.

Parliamentary Committees

There are 2 EFTA Parliamentary Committees: the Committee of Members of Parliament of the EFTA States (MPS), which deals with EEA-related matters and forms the EFTA side of the EEA Joint Parliamentary Committee (JPC) and the Committee of Members of Parliament of the EFTA countries (CMP), which deals with all other matters, including relations with third countries. The CMP and MPS hold joint meetings and function practically as one, with Switzerland as an observer when EEA issues are being discussed. In 2006 the CMP/MPS had four meetings and focused its work on a variety of topics such as: Developments in EFTA third country relations; developments in the Internal Market; Globalisation and immigration; Maritime Policies and Free trade and social rights, to name a few.

Committee work

The CMP/MPS meet the EFTA Ministers twice a year, at the Spring Ministerial meetings and the informal Ministerial meetings in late autumn each year. In this year's joint meetings the Parliamentarians received updates from the Ministerial Chair on the main developments in EFTA third country relations and, in respect of the EEA and Committee members, inquired about specific issues. These meetings constitute an

increasingly important dialogue between the EFTA Council and the Members of Parliament of the EFTA Countries.

In addition to its regular meetings the CMP/MPS visited Croatia in February. The CMP/MPS delegation, which was led by Franz Heeb (Progressive Citizen's Party, Liechtenstein) had meetings in the Croatian Parliament with the Foreign Relations Committee, the European Integration Committee and the Committee on Economy, Development and Reconstruction. The delegation also had a meeting with the Assistant Minister for Foreign Affairs and European Integration. The purpose of the visit was to raise the awareness of the EEA and support Croatia's candidacy to become a member of the EU.

EEA Joint Parliamentary Committee

The EEA JPC met twice during the year. As previous meetings, the EEA JPC engaged in a dialogue with the EEA Council, the EEA Joint Committee and the EFTA Surveillance Authority on the functioning of the EEA and on progress regarding prior resolutions of the JPC. The EEA JPC discussed and adopted resolutions on the functioning of the EEA Agreement during 2005; Europe's High North: Energy and Environmental issues; the Implementation of EEA legislation and Enlarging the EEA: Experiences and Perspectives.

The EEA JPC discussed working documents on: the use of fishmeal, the Services directive and Soft legislation in the EEA. The Committee forwarded its resolutions to the EEA Council and to relevant parliamentary committees.

As well as its regular meetings, the EEA JPC, jointly with the European Parliament's Foreign Affairs Committee, hosted a meeting where the Foreign Ministers of the EEA EFTA States were invited to address issues such as the European Neighbourhood Policy, the High North and Developments in the EEA. For a list of Members of the two committees, please refer to the appendices.



European free trade in a globalised world



european free trade in a globalised world
conference of the EFTA parliamentary & consultative committees
geneva, CICG, 16-17 november 2006

The EFTA Parliamentary and Consultative Committees organised a joint conference on "European free trade in a globalised world" on 16-17 November 2006. In light of the latest developments in the Doha Round (WTO) and of the increasing importance of EFTA's free trade agreements, the overall aim of the conference was to take stock of Europe's, and EFTA's, role in the global economy and to discuss the political, social and environmental implications of global trade relations for regional and national economies.

The open economies of the EFTA Countries are all deeply affected by globalisation, scoring high on economic rankings despite their moderate size. Representing only around 12 million people, the EFTA States are the ninth largest merchandise trader; the fifth largest services trader and the world's sixth largest source for foreign investment.

Kåre Bryn, Secretary-General of EFTA, opened the conference by highlighting the proven benefits of free trade and the challenge of spreading these benefits to weaker parties in the multilateral trading system. The Secretary-General emphasised that both theory and practice demonstrated the benefits of free trade. Comparative advantage was a proven principle that promoted economic prosperity and there could be little questioning of the advantages for applying this

principle into the EFTA States' economies. EFTA needed to go further in widening the net to also include developing countries among globalisation's winners.

In their presentations, the hosts of the conference, Jon Vea, Chairman of the EFTA Consultative Committee, and Eugen David, Chairman of the EFTA Parliamentary Committee (CMP), highlighted the dramatic evolution of globalisation and the factors that contributed to the success of the EFTA States in a globalised economy. They urged the EFTA Countries to be at the forefront when it came to the challenges linked to globalisation.

The conference featured 16 prominent speakers who were all directly linked to challenges of international trade and of global governance. The issues that were covered included: the challenges of global governance; the social dimension of globalisation; the management of global migration; Europe's competitiveness in the face of global challenges; the viewpoints of businesses and trade unions to global competition, and globalisation and corporate social responsibility. The conference drew around 150 participants, and included several Ambassadors, representatives from labour and industry, Members of EFTA's national parliaments and the European Parliament, representatives from several international organisations and government representatives.



The conference had around 150 participants, and included several Ambassadors; representatives from labour and industry; Members of EFTA's national parliaments and the European Parliament, and representatives from several international organisations and government representatives.

INFORMATION ACTIVITIES

One of EFTA's important tasks is to inform its stakeholders and the general public on its activities in an open and transparent manner. Within the area of public communication, 2006 was an active year:

- A large number of seminars and workshops were held in the EFTA Member States, at the EFTA locations in Brussels and Geneva, as well as around Europe;
- Several new publications were published, along with updates and translations of existing publications;
- Websites were launched and continuously updated throughout the year;
- Presentations were given to visiting groups. In Brussels alone, around 84 visiting groups (1 200 people) visited the Secretariat during 2006, and
- The Member States laid down new rules on public access to third-country and administrative EFTA documents, while continuing work on revising the public access rules to EEA EFTA documents.



The Financial Mechanisms Office launched a new website, which was continuously updated to deal with the growing demand for information, including a separate section that provides summary details of all committed applications.

Public Access to Documents

Based on the principle that openness shall be applied to the greatest extent possible, in decision no 4/2006 the EFTA Council laid down new rules on public access to third-country and administrative documents and EFTA documents. The decision complements the rules published for EEA documents in 2005 in decision no 3/2005/SC. Both decisions, together with a list of pre-released documents, can be found on EFTA's website.

Seminars

In 2006, the Secretariat and the Financial Mechanisms Office held several high-profile seminars and workshops.

- The Financial Mechanism Office organised and participated in a wide range of information seminars, both in Brussels, in the beneficiary states and in the donor states. Seminars were held with the NGO communities in several of the beneficiary states, as well as a series of workshops relating to the implementation of the mechanisms.
- EFTA's Parliamentary and Consultative Committees organised a joint conference on "European free trade in a globalised world". (See page 42)
- EFTA's bi-annual two-day EEA Seminar provided over 200 professionals with a thorough overview of the EEA, with particular focus on current issues such as the first effects of EU-EEA enlargement and the new European Neighbourhood Policy.
- In light of the new EU innovation strategy launched in autumn 2006, the Working Group on Enterprise Policy took the initiative for the EFTA conference on "the New EU Innovation Strategy and the European Economic Area", with around 70 participants mainly from the EFTA Ministries. The conference highlighted the crucial importance of Innovation as part of the Lisbon Strategy for Growth and Jobs and sought to engage the EEA community into contributing to the 2007 consultations. All the speeches, presentations and the final report are available on the EFTA website.
- Taking a close look on the newly adopted Services Directive and its reduced scope, the EFTA Secretariat organised a seminar on services on 6 December 2006, with more than 100 participants from EFTA States. All the speeches, presentations and the final report are available on the EFTA website.
- Other highlights include seminars on labour law and flexicurity, digitisation and online accessibility of cultural material and digital preservation, and gender equality.



Publications

The latest versions of all EFTA publications are available online on EFTA's website, where paper copies can also be ordered free of charge (subject to availability).



Several new publications were released throughout the year:

- 'This is EFTA': a new annual publication providing an easy overview of EFTA and its activities, together with useful trade and economic statistics;
- The EFTA Bulletin: Growth and Jobs: The Lisbon Strategy and the European Economic Area, providing a look at the Lisbon Strategy from an EEA perspective, and
- The EFTA Bulletin: EFTA Free Trade Relations, covering EFTA's free trade agreements with countries outside the European Union.

In addition to the new publications, EFTA continued updating the introductory Info Kit on the EEA and EFTA activities, together with several fact sheets that have also been translated into several languages.

EEA Supplement

The Publication team is responsible for the translation into Icelandic and Norwegian of EEA-relevant texts and for their publication in the EEA Supplement to the Official Journal of the European Union. As the EEA Supplement

to a large extent is a parallel publication to the Official Journal of the European Union, the latter serves as a publication in the common EU/EFTA language German.

The EEA Supplement is published on the EFTA website once a week and issues which include EEA Joint Committee Decisions and EC Acts are also printed and distributed to subscribers.

The EEA Supplement contains material from:

- the EEA Joint Committee;
- the Standing Committee of the EFTA States;
- the EFTA Surveillance Authority;
- the EFTA Court;
- the EEA Joint Parliamentary Committee;
- the EEA Consultative Committee, and
- the European Commission.

In 2006, the EFTA Secretariat published 64 issues of the EEA Supplement. As in previous years, much of the content of the EEA Supplement came from the EEA Joint Committee, mainly in the form of EEA Joint Committee Decisions and EEA-relevant EC acts. The publication of acts incorporated in the EEA Agreement continued to increase in 2006 compared to 2005.

The yearly cooperation meeting between the Secretariat and the Icelandic and Norwegian Translation Centres was held in Reykjavík in October. The Translation Centres, which are responsible for the translation of EEA-relevant EC acts, reported that their workload continued to increase and various concrete measures to further improve procedures and cooperation were discussed.

Publication in the EEA Supplement 2006

Fig. 4

	Number of pages	
	Icelandic	Norwegian
EEA Joint Committee (Joint Committee Decisions and EC acts)	3 345	3 374
EFTA Standing Committee	71	71
EFTA Surveillance Authority	460	460
EFTA Court	17	17
EU institutions	1 085	1 085
Total	4 978	5 007

ADMINISTRATION

Twenty-two temporary and permanent staff are based in Geneva and Paris, and 55 in Brussels and Luxembourg. The Financial Mechanism Office employs 24 staff in Brussels.

On 1 September 2006, a new management took off office: Kåre Bryn, Secretary-General, Didier Chambovey, Deputy Secretary-General in Geneva, and Lilja Viðarsdóttir, Deputy Secretary-General in Brussels, who sadly passed away in March 2007.

The Secretariat's budget is worked out according to the framework budgeting principle established in public administrations in Member States. This approach aims to increase awareness of budgetary spending at all levels. The budget is accompanied by a performance plan where the Secretariat's activities are divided into project groups and projects. The plan and the ensuing reporting raises the Member States' awareness of the costs and outcomes

of the Secretariat's different activities.

EFTA's budget for 2006 was prepared in two currencies: Swiss francs (the base currency) and euros. The total budget was 23 122 827 Swiss francs.

The EFTA Board of Auditors

The EFTA Board of Auditors (EBOA) is the supreme audit authority of EFTA and reports directly to the EFTA Council. It is responsible for auditing matters relating to the EEA Agreement and for establishing relations with the Court of Auditors of the European Union (ECA). Members of the Board are completely independent. In 2006, EBOA met four times. The Board recommended to the Budget Committee to approve accounts for 2005 and gave some recommendations for the further improvement of EFTA's operations.



EFTA Budget 2006

Fig. 5

Budget Posts	Budget 2006 (in CHF)
Intra-EFTA relations	53 364
Management of FTAs with third countries	625 909
Free trade negotiations	1 935 199
Prospective FTA partners	728 696
Servicing the EFTA Council and programmes	1 074 963
EEA matters	7 266 172
Statistical cooperation - Luxembourg	778 891
Organisation management and administration	4 495 053
Other horizontal activities	2 878 300
EU-EFTA and EFTA cooperation activities	3 286 280
TOTAL	23 122 827

The Member States made their contributions in Swiss francs and euros. The table below shows the contributions in Swiss francs.

Contributions to the EFTA Budget 2006

Fig. 6

Member State	Contributions (in CHF)	Share
Iceland	927 913	4.04%
Liechtenstein	232,388	1.01%
Norway	12 018 561	52.36%
Switzerland	9 773 965	42.58%
TOTAL	23 122 827	100%

APPENDICES

EFTA Parliamentary Committee

Icelandic delegation

Guðlaugur Þór Þórðarson (CMP/MPS Vice Chairman),	Independence Party
Ingibjörg Sólrún Gísladóttir	Social Democratic Alliance
Birkir Jon Jónsson	Progressive Party
Bjarni Benediktsson	Independence Party
Lúdvík Bergvinsson	Social Democratic Alliance

Liechtenstein delegation

Franz Heeb (MPS Chairman)	Progressive Citizen's Party
Henrik Caduff	Patriotic Union

Norwegian delegation

Svein Roald Hansen	Labour Party
Laila Dávøy	Christian Democratic Party
Marianne Aasen Agdestein	Labour Party
Gjermund Hagesæter	Progress Party
Børge Brende	Conservative Party
Lena Jensen	Socialist Left Party

Swiss delegation

Eugen David (CMP Chairman)	Christian-Democratic Party
Erwin Jutzet	Social-Democratic Party
Peter Briner	Radical-Democratic Party
Mario Fehr	Social-Democratic Party
Hans Ulrich Mathys	Swiss People's Party

EFTA Consultative Committee Members

Iceland - Members

Guðlaugur Stefánsson (Vice-Chair)	Confederation of Icelandic Employers (SA)
Halldór Grönvold	Icelandic Confederation of Labour (ASÍ)
Erna Guðmundsdóttir	Federation of State and Municipal Employees (BSRB)
Davíð Þorláksson	Iceland Chamber of Commerce
Jón Steindór Valdimarsson	Federation of Icelandic Industries (SI)

Alternates

Magnús Norddahl	Icelandic Confederation of Labour (ASÍ)
Jónas Magnússon	Federation of State and Municipal Employees (BSRB)
To be confirmed	Confederation of Icelandic Employers (SA)
Frosti Ólafsson	Iceland Chamber of Commerce
Sveinn Hannesson	Federation of Icelandic Industries (SI)

Liechtenstein - Members

Josef Beck	Liechtenstein Chamber of Commerce and Industry (LCCI)
Sigi Langenbahn	Federation of Liechtenstein Employees

Norway - Members

Wenche Paulsrud (Chair)	Norwegian Confederation of Vocational Unions (YS)
Thomas Angell	Federation of Norwegian Commercial and Service Enterprises (HSH)
Tor Jørgen Lindahl	Norwegian Confederation of Trade Unions (LO)
Åse Erdal	Norwegian Association of Local and Regional Authorities (KS)
Jon Vea	Confederation of Norwegian Enterprise (NHO)
Ingunn Yssen	Norwegian Confederation of Trade Unions (LO)

Alternates

Ivar Jørgensen	Federation of Norwegian Commercial and Service Enterprises (HSH)
Vidar Lindefjeld	Confederation of Norwegian Enterprise (NHO)
Christopher Navelsaker	Norwegian Confederation of Vocational Unions (YS)
Knut Arne Sanden	Norwegian Confederation of Trade Unions (LO)
Aina Simonsen	Norwegian Association of Local and Regional Authorities (KS)

Switzerland - Members

Vital G. Stutz (Vice-Chair)	Swiss Federation of Employees
Ruth Derrer Balladore	Swiss Union of Employers
Gregor Kündig	economiesuisse
Marco Taddei	Swiss Union of Small and Medium-sized Enterprises
Hans-Peter Tinguely	Swiss Workers' Federation
Pierre Weiss	Fédération des Entreprises Romandes Genève (FER Genève)



EFTA Ministerial Meeting, Höfn, 26 June 2006

Communiqué

EFTA Ministers sign the Free Trade Agreement with the Southern African Customs Union (SACU)^[1]. They welcome the opening of negotiations on a Free Trade Agreement with the countries of the Gulf Cooperation Council (GCC)^[2] and the entering into force in the coming months of the Free Trade Agreements with the Republic of Korea and Lebanon respectively. Ministers are also pleased with the growth and extension of the EU Internal Market. The EFTA Convention and the EEA Agreement continue to function well.

The European Free Trade Association (EFTA) held its Spring Ministerial meeting in Höfn, Iceland, on 26 June. Ms. Valgerður Sværisdóttir, Minister for Foreign Affairs of Iceland, chaired the meeting.

WTO

The EFTA Ministers reiterated their strong support of the WTO and underlined the importance they attach to the multilateral trading system. They took stock of the ongoing negotiations under the Doha Development Agenda. Ministers emphasized the importance of achieving modalities for agricultural and industrial products by the end of June in order to successfully conclude negotiations, in a balanced way, by the end of 2006. They furthermore underlined the additional contribution brought to trade liberalisation by EFTA free trade agreements with various partners.

Preferential trade relations

Ministers reiterated the role of regional trade

^[1] Botswana, Lesotho, Namibia, South Africa and Swaziland.

^[2] Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates.

agreements as instruments of economic and trade liberalisation. EFTA's free trade agreements improve economic competitiveness and ensure market access for our economic operators on equal terms with competitors benefiting from preferential access.

Southern Africa

Ministers signed the Free Trade Agreement with the Southern African Customs Union (SACU). The SACU side will sign the Agreement in July 2006.

Asia

Ministers recalled EFTA's strong interest in strengthening relations with Asian economies. They expected that the Free Trade Agreement with the Republic of Korea would enter into force on 1 September 2006, following its ratification by all Parties. Ministers also expressed satisfaction with the good progress made during the first two rounds of free trade negotiations with Thailand and looked forward to continuing negotiations in the autumn. EFTA Ministers welcomed the start of the negotiations on a Free Trade Agreement with the Members of the Gulf Cooperation Council. The ongoing feasibility study with Indonesia on a comprehensive preferential trade agreement is expected to be finalised before the end of 2006. If warranted by this study, EFTA would be ready to start negotiations.

Ministers highlighted their interest in establishing free trade relations with India and agreed to actively pursue high level contacts with their Indian counterparts. They discussed the current talks of individual EFTA States with China and Japan. Ministers recalled the advantages of FTAs negotiated in the EFTA framework. Furthermore, they considered approaching other countries in Asia.

European and Mediterranean countries

Ministers reiterated their support for Russia's and Ukraine's upcoming WTO membership, and confirmed their interest to negotiate free trade relations with both countries once their respective WTO accession negotiations have been completed.

Ministers underlined EFTA's commitment to the Euro-Mediterranean free trade area, and were

pleased to note that the Free Trade Agreement with Lebanon is expected to enter into force in the early autumn, adding another component to EFTA's network of Free Trade Agreements in this region. They expressed their hope that negotiations with Algeria would start soon. Ministers also confirmed their commitment to finalising the longstanding negotiations with Egypt.

Americas

Ministers welcomed the recent signing of Declarations on Cooperation with Peru and Colombia and expressed hope that the Declarations would soon lead to enhanced economic relations and strengthened cooperation with these countries. They also confirmed their commitment to finalise the negotiations with Canada.

European Union

Ministers were pleased to note that the EEA Agreement remains robust in a rapidly changing political and economic environment. Trade with the ten new EU Member States is dynamic and increasing, demonstrating the mutual benefits of the enlarged Internal Market.

Ministers welcomed the applications of Bulgaria and Romania to become Contracting Parties to the EEA Agreement and stressed the common objective of the simultaneous accession of new members to the EU and to the EEA, in order to secure the good functioning of the European Economic Area.

Ministers recalled that the EEA EFTA States have followed closely the development of the Strategy for Growth and Jobs, and they are linked formally and informally to many of the Strategy's initiatives through the EEA Agreement. The structural indicators show that the Icelandic and Norwegian economies compare well to their European neighbours, although Ministers noted there is no room for complacency when it comes to global competitiveness.

Ministers reiterated their strong support for the European Neighbourhood Policy (ENP) and its aim of preventing the emergence of new dividing lines between the enlarged EU and its neighbours by encouraging political, security, economic and cultural

cooperation. The ENP includes free trade objectives and measures to prepare partners to obtain a stake in the Internal Market. With the various Free trade Agreements or Declarations of Cooperation between EFTA States and some ENP countries EFTA already makes valuable contributions to this aim.

Ministers recalled that the EEA EFTA States are large contributors to economic and social cohesion within the Internal Market through the EEA Financial Mechanism and the Norwegian Financial Mechanism, and welcomed the Mechanisms' progress in implementing the distribution of 1.17 billion euros that has been made available over the five-year period 2004-2009.

Change of Secretaries-General

Ministers recalled that Mr. William Rossier's term as Secretary-General would come to an end on 31 August. They expressed their gratitude to Mr. Rossier for his significant contribution to EFTA for the last six years. They also thanked the outgoing Deputy Secretaries-General, Mr. Petur Thorsteinsson and Mr. Øystein Hovdkinn, for their valuable contributions to EFTA. The new EFTA Secretary-General, Mr. Kåre Bryn and

his deputies, Mr. Didier Chambovey and Ms. Lilja Viðarsdóttir, will take over their functions on 1 September 2006.

Advisory Bodies

Ministers also held meetings with EFTA's two advisory bodies: the Parliamentary Committee and the Consultative Committee. Ministers appreciated the good input and welcomed the useful work undertaken by the Committees. The Committees take an active interest in EFTA's work and continue to enjoy fruitful cooperation with their counterparts in the EU and other EFTA partner countries.

Ministers attending:

Iceland:	Ms. Valgerður SVERRISDÓTTIR, Minister for Foreign Affairs
Liechtenstein:	Ms. Rita KIEBER-BECK, Minister of Foreign Affairs
Norway:	Mr. Odd ERIKSEN, Minister of Trade and Industry
Switzerland:	Mr. Joseph DEISS, Federal Councillor, Head of the Federal Department of Economic Affairs



EFTA Ministerial Meeting, Geneva, 1 December 2006

Communiqué

The EFTA Ministers met with India's Minister for Commerce and Industry and launched a Joint Feasibility Study, which could lead to negotiations on a Comprehensive Economic Agreement soon. Furthermore, they noted the conclusion of free trade negotiations with Egypt and good progress made with Canada and the Gulf Cooperation Council (GCC). Ministers welcomed the entry into force on 1 September 2006 of the comprehensive EFTA-Korea Free Trade Agreement and of the Free Trade Agreement with Lebanon on 1 January 2007.

On 1 December, the European Free Trade Association (EFTA) held an informal Ministerial Meeting in Geneva under the Chairmanship of Ms Doris Leuthard, Swiss Minister of Economy.

Ministers met with India's Minister for Commerce and Industry, H.E. Kamal Nath, with whom they signed a

Record of Understanding, establishing a Joint Study Group to examine the feasibility for negotiating a possible Comprehensive Economic Agreement between India and the EFTA States. They welcomed this first step towards establishing closer trade relations between India and EFTA.

The finalization of negotiations on a Free Trade Agreement with Egypt on 31 October was welcomed by Ministers. These negotiations started in 1998 and the agreement to be signed in the coming months will represent a landmark in EFTA's Euro-Med relations^[9].

Ministers were pleased that negotiations with Canada were back on track after a substantive round of negotiations in November. They emphasized the importance of Canada as a free trade partner for the EFTA States and were confident that the agreement could be concluded in the coming months.

^[9] In the Euro-Med area the EFTA States have to date Free Trade Agreements with Bulgaria, Israel, Jordan, Lebanon, Morocco, Palestinian Authority, Romania, Tunisia and Turkey, with Algeria they have signed a Declaration on Cooperation.

They also noted the good progress made in negotiations with the Countries of the Gulf Cooperation Council¹⁴¹ and expect the conclusion of the negotiations in the coming year.

Furthermore EFTA Ministers welcomed the progress of the Joint Study Group on a Comprehensive EFTA-Indonesia Trade Agreement, and expressed their hope to launch negotiations on such an agreement as soon as possible.

Ministers recalled that building free trade ties with China and Japan is a priority of all EFTA States and reiterated interest in establishing free trade relations of EFTA with Russia and Ukraine following their WTO accession.

Ministers welcomed the recent contacts with Colombia and Peru and the readiness of these two countries to establish preferential trade relations with the EFTA States. Ministers welcomed the entry into force of the Free Trade Agreement between the EFTA States and Korea on 1 September this year and the entry into force of the Free Trade Agreement with Lebanon on 1 January 2007. They were also looking forward to the forthcoming entry into force of the Free Trade Agreement with the Southern African Customs Union (SACU)¹⁴².

Ministers took stock of the WTO Doha negotiations and welcomed the fact that negotiating groups across

the spectrum of the DDA are now back to work under the leadership of their respective chairs. They renewed EFTA States' strong commitment to the WTO and the successful conclusion of the Doha round. The Ministers stressed that EFTA's policy of negotiating free trade agreements was based upon the multilateral trading system and that EFTA's free trade agreements contribute towards further liberalization on a global scale.

The EFTA Ministers also met with the EFTA Parliamentary Committee and discussed free trade relations and developments under the EEA Agreement.

Ministers attending:

Switzerland:	Ms Doris LEUTHARD, Federal Councillor, Head of the Department of Economic Affairs (Chair)
Iceland:	Ms Valgerður SVERRISDÓTTIR, Minister for Foreign Affairs
Liechtenstein:	Ms Rita KIEBER-BECK, Minister of Foreign Affairs
Norway:	Mr Dag Terje ANDERSEN, Minister of Trade and Industry

Conclusions of the 25th meeting of the EEA Council on 12 June 2006

Conclusions

1. The twenty-fifth meeting of the EEA Council took place in Luxembourg on 12 June 2006 under the Presidency of Mr. Hans Winkler, State Secretary for Foreign Affairs of Austria. The meeting was attended by Mr. Gunnar Snorri Gunnarsson, Permanent Secretary of State at the Ministry for Foreign Affairs of Iceland, Ms Rita Kieber-Beck, Minister for Foreign Affairs of Liechtenstein, Mr. Jonas Gahr Støre, Minister for Foreign Affairs of Norway, by Members of the Council of the European Union and by a Representative of the European Commission.
2. The EEA Council noted that within the framework of the Political Dialogue the
3. Ministers discussed the situation in the Western Balkans, the Middle East and Darfur.
3. The EEA Council welcomed the finalisation of the ratification process of the EEA Enlargement Agreement on 6 December 2005 when all Contracting Parties had ratified the Agreement. To ensure the parallel application of the Treaty concerning the accession of the ten new Member States to the EU and of the EEA Enlargement Agreement on 1 May 2004, the Parties had agreed to apply the EEA Enlargement Agreement provisionally until all Contracting Parties would ratify it. The objective of simultaneous enlargement of the EU and the EEA was thus fulfilled.

¹⁴¹ Gulf Cooperation Council: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates.

¹⁴² Botswana, Lesotho, Namibia, South Africa and Swaziland.

4. The Ministers appreciated the good progress made in the implementation of the EEA Financial Mechanism and the Norwegian Financial Mechanism. Necessary preparations have been completed and the Financial Mechanisms are now in the stage of project generation and implementation. The importance of openness, transparency and broad participation in the implementation was underlined. The EEA Council welcomed the launching of calls for proposals in Poland, the Czech Republic, Hungary, Portugal, Slovakia, Slovenia and Malta, which have made around 300 million euros available to potential applicants. The EEA Council reiterated that the Financial Mechanisms provide opportunities to strengthen relations between the EEA - EFTA States, Norway and the beneficiary EU Member States.
5. The EEA Council welcomed the applications of Bulgaria and Romania to become Contracting Parties to the EEA Agreement and recalled that Article 128 of the EEA Agreement states that any European State becoming a member of the Community shall apply to become a Party to this Agreement. The Parties concerned were therefore asked to rapidly launch negotiations of the respective Enlargement Agreement with a view to its timely conclusion. The EEA Council stressed the common objective of the simultaneous accession of new members to the EU and to the EEA, in order to secure the homogeneity and the good functioning of the European Economic Area.
6. The EEA Council encouraged all Contracting Parties to inform relevant actors on the EEA Agreement, in order to facilitate a smooth functioning of the Agreement and to safeguard the interests of economic operators throughout the EEA.
7. The EEA Council noted that the Strategy for Growth and Jobs is moving forward, with a stronger focus on the National Action Plans, as well as on the Commission's Action Plan of Community level proposals, which to a large extent are relevant to the EEA Agreement. The Spring European Council took stock of progress

of the revised strategy, whilst identifying energy policy co-ordination as important for promoting growth and competitiveness.

8. The Ministers welcomed the Plan of the Commission to establish a new Internal Market Policy to replace the current strategy which runs out in 2006. They noted that the EEA - EFTA States provided input to this process.
9. Regarding the review of the overall work in EEA cooperation, the EEA Council noted the Progress Report of the EEA Joint Committee. The Ministers welcomed the continuation of well-functioning cooperation, and the speedy incorporation of new legislation for the Internal Market into the Agreement.

The EEA Council in particular:

- Welcomed the timely EEA - EFTA participation in EEA-relevant EU Agencies and looked forward to a Decision by the EEA Joint Committee on EEA - EFTA participation in the European Food Safety Authority (EFSA) in the near future.
- Welcomed the progress made in the review of Chapter 1 of Annex I of the EEA Agreement regarding Iceland.
- Welcomed the progress made towards reaching an agreement on the incorporation into the EEA Agreement of the directive on Greenhouse Gas Emission Trading Scheme.
- Recalled the aim of maintaining the good functioning of the Internal Market in the field of civil aviation. In that context, the EEA Council noted the common interest of the EU and of the EEA - EFTA States in further developing the close ties in this field, in particular in the incorporation of common rules and principles governing the organisation of the European airspace (Single European Sky) into the EEA Agreement. The EEA Council also noted that the EU and the EEA - EFTA States continue to pursue close informal contacts with respect to the EU's Open Skies



Policy. Furthermore, the EEA Council encouraged all Contracting Parties to prevent any possible restrictions to the freedom to provide air services within the EEA, such as discriminatory charges or tax measures.

- Welcomed the progress made towards better regulation within the Internal Market and especially the constructive process which has been launched towards the development of a future Internal Market Policy.
- Welcomed the continued constructive dialogue in order to find a practical solution with regard to the new safety and security system (pre-arrival/pre-departure declarations) and thereby to avoid obstacles to the free movement of goods within the EEA.
- Acknowledged the EEA - EFTA stake in the efforts to establish an improved general framework for services in the Internal Market.
- Welcomed the continued EEA - EFTA contributions in the decision-shaping process of EEA-relevant EC legislation and programmes through i.a. participation in appropriate Committees and Working Groups, and through EEA - EFTA Comments.
- Welcomed the conclusion of the review foreseen of Article 19(3) of the EEA Agreement with regard to Iceland.
- Welcomed the opening of the review foreseen of Article 19(3) with regard to Norway.
- Reaffirmed the importance of EEA - EFTA participation in EEA -relevant EU programmes. This participation is co-financed by the EEA - EFTA States and contributes to the strengthening of the EEA cooperation outside the four freedoms of the Internal Market, thereby promoting the common political and economic goals attached to the EEA Agreement. The EEA Council encouraged all Parties involved to make every effort to achieve a timely participation and financial contribution of the EEA - EFTA

States in EEA relevant EU programmes under preparation for the period 2007 - 2013.

10. The EEA Council reaffirmed the shared aim of creating stable, peaceful and prosperous relations with the neighbouring countries. The EEA Council acknowledged that giving neighbourhood countries or third countries a stake in the Internal Market would be mutually beneficial to all Parties involved and of relevance to the EEA. The EEA Council welcomed the continued exchange of information on further developments of the European Neighbourhood Policy.
11. The EEA Council held an orientation debate on Energy: Green book and the EU energy strategy.
12. The EEA Council recognised the desirability of inviting EEA - EFTA Ministers to attend relevant informal EU Ministerial Meetings as well as Ministerial Conferences on the basis of EEA - EFTA participation in the Internal Market. The EEA Council also recalled the practice of inviting the EEA - EFTA States - at the level of officials - to political dialogue meetings with relevant Council Working Parties in troika format and expressed its appreciation to the incoming Finnish Presidency for the continuation of this practice.
13. The EEA Council noted the Resolutions of the EEA Joint Parliamentary Committee adopted at its 25th meeting on 23 November 2005 in Brussels, on The adopted Resolutions of the EEA JPC 2000-2005 and on New Environmental legislation and the EEA. The EEA Council also noted the Resolutions of the EEA Joint Parliamentary Committee adopted at its 26th meeting on 23 May 2006 in Tromsø, Norway, on The Annual Report on the functioning of the EEA Agreement in 2005 and on Europe's High North: Energy and environmental issues.

Conclusions of the 26th meeting of the EEA Council on 12 December 2006

1. The twenty-sixth meeting of the EEA Council took place in Brussels on 12 December 2006 under the Presidency of Jonas Gahr Støre, Minister for Foreign Affairs of Norway. The meeting was attended by [Ms Valgerður Sværissdóttir, Minister for Foreign Affairs of Iceland] and by Ms Rita Kieber-Beck, Minister for Foreign Affairs of Liechtenstein, from the EEA - EFTA side, as well as by Ms. Paula Lehtomäki, Minister for European Affairs of Finland, representing the Presidency of the Council of the European Union, by Members of the Council of the European Union and by the [Member] of the European Commission responsible for EEA Council matters, from the EU side.
2. The EEA Council noted that within the framework of the Political Dialogue the Ministers discussed Lebanon, Sudan and Kosovo.
3. [The EEA Council regretted the lack of progress made with regard to Bulgaria and Romania becoming Contracting Parties to the EEA Agreement in view of the importance of timely conclusion of the respective Enlargement Agreement. The EEA Council urges all parties to step up efforts in order to conclude these negotiations rapidly.]
4. The Ministers underlined the importance for all Contracting Parties to ascertain that public authorities and other relevant actors throughout the European Economic Area remain well informed about the EEA Agreement.
5. The EEA Council noted the progress made in the Lisbon Strategy for Growth and Jobs with a stronger focus on the National Reform Programmes (NRPs), as well as on the Community Lisbon Programme. With energy policy co-ordination being identified as one of the main priorities of the Lisbon Strategy, the Strategy has become increasingly relevant to the EEA - EFTA States. Furthermore, the EEA Council welcomed the EU's broad approach to maritime management that is expressed in the Maritime Policy Green Paper. The EEA - EFTA States look forward to contributing to further discussions on the future EU Maritime Policy.
6. The EEA Council welcomed the adoption of a joint policy framework document for the Northern Dimension Policy, aiming at strengthening all Partners', Participants' and other actors' commitment to the Policy.
7. The Ministers appreciated the progress made in the implementation of the EEA Financial Mechanism and of the Norwegian Financial Mechanism. The Financial Mechanisms are now in the stage of project generation and implementation. The importance of openness, transparency, broad participation and efficiency in the implementation was underlined. The EEA Council welcomed the launch of calls for proposals in Poland, the Czech Republic, Hungary, Portugal, Slovakia, Slovenia, Malta, Estonia, Spain, Lithuania and Cyprus, which will make close to 400 million euros available to potential applicants. The EEA Council reiterated that the Financial Mechanisms provide opportunities to strengthen relations between the EEA - EFTA States, Norway and the beneficiary EU Member States.
8. Regarding the review of the overall work in EEA cooperation, the EEA Council noted the Progress Report of the EEA Joint Committee. The Ministers welcomed the continuation of well-functioning cooperation, the speedy incorporation of new legislation for the Internal Market into the EEA Agreement and reaffirmed the importance of the timely EEA - EFTA participation in EEA-relevant EU Agencies.

The EEA Council in particular:

- Reaffirmed the importance of EEA - EFTA participation in EEA-relevant EU programmes. This participation is co-financed by the EEA - EFTA States and contributes to the strengthening of the EEA cooperation outside the four freedoms of the Internal Market, thereby promoting the common political and economic goals attached to the EEA Agreement. The EEA Council encouraged all Parties involved to make every effort to achieve



a timely participation of the EEA - EFTA States in EEA-relevant EU programmes under preparation for the period 2007 - 2013;

- Welcomed the integration of the modernisation of the public procurement rules into the EEA Agreement;
 - Looked forward to a Decision by the EEA Joint Committee on EEA -EFTA participation in the European Food Safety Authority (EFSA) in the near future;
 - Welcomed the progress made in expanding the scope of the EEA veterinary legislation to Iceland;
 - Welcomed the progress made on the Greenhouse Gas Emission Trading Scheme;
 - Welcomed the launching of the review on the basis of Article 19 of the EEA Agreement with Norway with the objective of achieving progressive liberalisation of trade in agricultural products.
 - Recalled the aim of maintaining the good functioning of the Internal Market in the field of civil aviation and welcomed the integration of the common rules and principles governing the organisation of the European airspace (Single European Sky) into the EEA Agreement;
 - Recalled the aim of maintaining the good functioning of the Internal Market, including the field of free movement of persons and called for a rapid integration of the outstanding *acquis* also in this field according to the provisions of the EEA Agreement;
 - Welcomed the new EU Innovation Strategy, in particular the ten priority actions set out at national and European levels;
 - Welcomed the close dialogue on the development of a future Internal Market Policy and noted the need to extend the consultations to the planned Fundamental Review of the Single Market;
- Acknowledged the EEA - EFTA stake in the efforts to establish an improved general framework for services in the Internal Market;
 - Welcomed the continued EEA - EFTA contributions to the decision-shaping process of EEA-relevant EC legislation and programmes through i.a. participation in appropriate committees and working groups, and through EEA - EFTA Comments.
9. The EEA Council held an orientation debate on the prospects for a revitalisation of the Doha Round and its possible implications.
 10. The EEA Council recognised the desirability of inviting EEA - EFTA Ministers to attend relevant informal EU Ministerial Meetings as well as Ministerial Conferences on the basis of EEA - EFTA participation in the Internal Market. The EEA Council also recalled the practice of inviting the EEA - EFTA States - at the level of officials - to political dialogue meetings with relevant Council Working Parties in troika format and expressed its appreciation to the incoming German Presidency for the continuation of this practice.
 11. The EEA Council noted the Resolutions of the EEA Joint Parliamentary Committee adopted at its 27th meeting in Brussels on 10 October 2006 on The Implementation of EEA Legislation and on Enlarging the European Economic Area: Experiences and Perspectives. It also noted the Resolutions of the EEA Consultative Committee adopted at its 14th meeting in Höfn, Iceland on 25 June 2006 on The Future of the Northern Dimension Policy and on The Lisbon Strategy - More Sustainable Growth through National Reforms and Increased EEA Cooperation.

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