



THE EUROPEAN ECONOMIC AREA (EEA)

▼ What is the European Economic Area?

The European Economic Area (EEA) unites the 27 EU Member States and the three EEA EFTA States (Iceland, Liechtenstein and Norway) in an Internal Market governed by the same basic rules. These rules aim to enable goods, services, capital, and persons to move freely about the EEA in an open and competitive environment, a concept referred to as the **four freedoms**. The objective of the EEA Agreement, as laid down in Article 1, is to “promote a continuous and balanced strengthening of trade and economic relations between the Contracting Parties... with the view to creating a **homogenous** European Economic Area”.

The EEA Agreement provides for equal conditions for businesses across the entire Internal Market, through **competition and state aid rules**. It also contains **horizontal provisions** relevant to the four freedoms, as well as co-operation outside the four freedoms in so-called **flanking areas**. The latter cover areas such as research and technological development, information services, education, training and youth, employment, enterprise and entrepreneurship, and civil protection. Co-operation is to be carried out through common activities of various types, such as EEA EFTA participation in EU programmes.

What does the EEA not cover?

The EEA Agreement does not cover the following EU policy areas: Common Agriculture and Fisheries Policies (although the Agreement contains provisions on various aspects of trade in agricultural and fish products); a Customs Union; a Common Trade Policy; a Common Foreign and Security Policy; Justice and Home Affairs (even though Iceland and Norway are part of the Schengen network) and the Monetary Union (EMU).

The EEA EFTA States have not transferred any legislative competences to the EEA institutions and all decisions on the EEA EFTA side are therefore taken by unanimity.

▼ Origins of the EEA Agreement

Since the establishment of EFTA in 1960, the European Community has been EFTA's most important trading partner. In 1972, individual EFTA countries signed free trade agreements with the EEC with the aim to abolish

import duties on industrial products. This aim was more or less achieved by 1977.

In the mid-1980s, the European Commission launched its ambitious project for a fully integrated Internal Market. The plan was set out in the Single European Act, signed in 1986. In 1984, the EFTA States and the EC adopted a declaration on the joint establishment of a dynamic European Economic Space (EES), listing possible ways of co-operation, specifically in the field of trade in goods.

The EFTA States acknowledged the political determination of the EU to complete the Internal Market by 1 January 1993 and decided to proceed with EC-EFTA relations in parallel with developments on the EU side. Between 1984 and 1989, the removal of obstacles to trade was undertaken on a case-by-case basis. However, it became difficult for the EFTA States and the EC to work on the basis of a situation where some areas were selected for co-operation while others were not.

In 1989, Jacques Delors, then President of the European Commission, therefore proposed a new and more structured form of partnership, which was to become the EEA Agreement. The EFTA States, at that time: Austria, Finland, Iceland, Liechtenstein, Norway, Sweden and Switzerland, welcomed the idea and formal negotiations began in June 1990. The Agreement for a European Economic Area was signed on 2 May 1992 in Oporto and entered into force on 1 January 1994.

Switzerland voted against EEA membership in December 1992 and has since maintained and developed its relationship with the EU through bilateral agreements. Since 1 January 1995, Austria, Finland and Sweden have participated in the EEA as EU Member States. Liechtenstein became a full participant in the EEA on 1 May 1995. The EEA was expanded to include the twelve Member States joining the EU respectively in 2004 and 2007.

▼ Legislation and procedures

The EEA Agreement is based on the **primary legislation** (Treaty of Rome) of the European Union, and on the **succeeding secondary legislation** (EEA-relevant regulations, directives, decisions, and certain non-binding instruments adopted by the EU institutions on an ongoing basis - also referred to as *acquis communautaire*). Hence,



a large part of the EEA Agreement is identical to the relevant parts governing the four freedoms as laid down in the Treaty of Rome of 1957.

The EEA Agreement is made up of 129 **articles** as well as 22 **annexes** and 49 **protocols**. The annexes refer to the *acquis communautaire* applicable in the EEA. The protocols include provisions on specific areas such as rules on the origin of goods, transition periods for the EEA EFTA States in certain fields, and simplified customs procedures.

The dynamic aspects of the Agreement

One of the central features of the EEA Agreement is that its common rules are continuously updated by adding new EC legislation. This aspect is essential given the large output of Community legislation on the Internal Market. Each month, a number of EEA-relevant pieces of legislation are incorporated into the EEA Agreement by decisions of the EEA Joint Committee.

Decision-making

Whenever an EEA-relevant legal act is amended or a new one adopted by the EU, a corresponding amendment should be made to the relevant Annex of the EEA Agreement. This is essential in maintaining the **principle of homogeneity** of the EEA. Amendment of the EEA Agreement should ensure that the ensuing text is as close as possible to the adopted legislation on the EU side, with a view to permitting a simultaneous application in the Community and in the EFTA States. The EEA EFTA States can request for consultation on matters of concern. The EEA EFTA States can negotiate adaptations to Community legislation when this is called for by special circumstances and agreed on by both sides.

Policy-shaping

The EEA EFTA States have the opportunity to influence the shaping of EEA-relevant legislation, i.e. proposals at the preparatory or pre-pipeline stage by the EU. This opportunity is enshrined in the EEA Agreement as a right for representatives of the EEA EFTA States to participate in experts groups of the European Commission, and to submit EEA EFTA comments on upcoming legislation. While the EEA EFTA States use these opportunities to shape legislation actively, they have little influence on the final decision on the legislation on the EU side. They can neither sit nor vote in the European Parliament or the European Council

(co-legislators on the EU side for most EEA-relevant legislation) and hence have to incorporate into the EEA Agreement what has ultimately been decided, if not necessarily shaped, by others.

▼ Institutional aspects

The institutional arrangements under the EEA Agreement are laid down in a **two-pillar structure** (see figure on next page) with EEA EFTA institutions matching those on the EU side. Substantive decisions relating to the EEA Agreement and its operation are a joint venture and are taken by joint bodies.

Joint bodies

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 Community legislation in the EEA Agreement. The Joint Committee is made up of ambassadors to the EU from the EEA EFTA States, representatives of the European Commission and EU Member States.

The **EEA Council**, composed of the foreign ministers of the EU and EEA EFTA States, provides political impetus for the development of the Agreement and guidelines for the Joint Committee.

The **EEA Joint Parliamentary Committee** (EEA JPC) comprises members of the national parliaments of the EEA EFTA States and Members of the European Parliament (MEPs). The Committee contributes, through dialogue and debate, to a better understanding between the Community and the EFTA States of the fields covered by the Agreement.

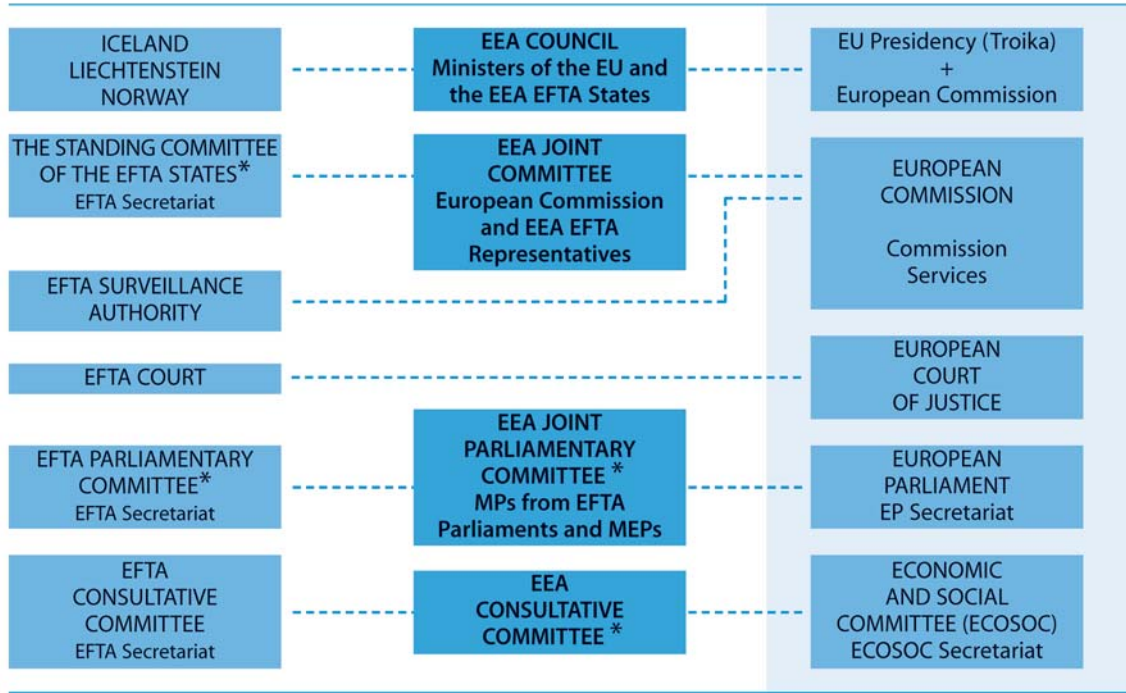
The **EEA Consultative Committee** comprises members of the EFTA Consultative Committee and the Economic and Social Committee of the EU. The Committee works to strengthen contacts between the social partners on both sides and to cooperate in an organised and regular manner to enhance awareness and provide input on the economic and social aspects of the EEA.

EEA EFTA bodies (EEA EFTA pillar)

The **Standing Committee of the EFTA States** serves as a forum in which the EEA EFTA States consult one another and arrive at a common position before meeting with the EU in the EEA Joint Committee. It is



The Two-Pillar EEA Structure



* Switzerland is an observer

This figure illustrates the management of the EEA Agreement. The left pillar shows the EFTA States and their institutions, while the right pillar shows the EU side. The joint EEA bodies are in the middle.

made up of representatives of Norway, Iceland and Liechtenstein and observers from Switzerland and the EFTA Surveillance Authority. The Committee's sub-structure currently consists of five Subcommittees⁽¹⁾, under which there are several working groups. In September 2003, the Standing Committee approved the practical merger of Subcommittee II, III and IV and established the Group on the Lisbon Strategy and Other Horizontal Policy Issues.

Two other important bodies exist under the EEA EFTA pillar. The **EFTA Surveillance Authority**, based in Brussels, ensures that the EEA EFTA States fulfil their obligations under the EEA Agreement. In addition to general surveillance of compliance, the Surveillance Authority has powers in relation to competition, state aid and public procurement, reflecting the extended competencies of the European Commission in these fields within the Community. The **EFTA Court**, based in Luxembourg, corresponds to the Court of Justice of the

European Communities in matters relating to the EEA EFTA States. The Court deals with infringement actions brought by the EFTA Surveillance Authority against an EFTA State with regard to the implementation, application or interpretation of an EEA rule, and with the settlement of disputes between two or more EFTA States. It also hears appeals concerning decisions taken by the EFTA Surveillance Authority and gives advisory opinions to courts in the EFTA States on the interpretation of EEA rules.

⁽¹⁾ Subcommittee I on the Free Movement of Goods; Subcommittee II on the Free Movement of Capital and Services and Company Law; Subcommittee III on the Free Movement of Persons; Subcommittee IV on Flanking and Horizontal Policies and Subcommittee V on Legal and Institutional Matters.

