



EU and EFTA FTAs

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[Overview]

- Evolution of FTAs
- Motivations
- FTA and multilateralism
- Overall approaches
- Content of the EFTA and EU FTAs
- Prospects

Evolution of policy

■ Four phases

- 1990 -95 EFTA following EU in agreements with CEECs
- 1995 – 1998/9 EU and EFTA agreements with Mediterranean and Middle Eastern countries
- 1999-2007 Divergence as EFTA pursues more offensive policy and EU has de facto moratorium on new FTAs
- 2007 – convergence again as EU reengages and both EU and EFTA seek FTAs with large Asian partners

Motivations

- EU has tended to have multiple objectives
 - European security broadly defined
 - Also vis-à-vis the south and Med.
 - Development motives due to legacy of Lome and colonies
 - Political/foreign policy
 - Commercial (growth potential)
 - Promotion of regional integration
- EFTA motives
 - Essentially commercial/economic motives
 - Prevent trade diversion and gain first mover advantages

[FTAs and multilateralism]

- Lack of progress in WTO one factor behind growth in bilateral FTAs
- Shift began (1995) 2000/1
- EU and EFTA FTAs compatible with Art XXIV GATT and Art V GATS
- Broadly building blocs but some WTO-plus provisions (IPR)
- FTAs reduce incentives for WTO, but multiple FTAs erode preferences

[Overall approach]

- Broadly similar approaches
- seeking to conclude deeper, more comprehensive 2nd generation FTAs
- relatively flexible
 - Unlike US with NAFTA model
 - Less than US 'Gold Standard'
- more commercially oriented (applies mostly to EU)

[Content]

■ Tariffs

○ EU

- near 100% for coverage of goods
- significant coverage of agriculture (EU – Korea perhaps exception)
- fairly fast liberalisation (with three years for most)

○ EFTA

- near full coverage for goods
- agriculture commodities separate agreements less liberalisation
- slightly slower liberalisation (e.g. Korea)

TBT/SPS

- cannot be removed by an agreement
- needs continuous effort
- EU
 - TBT and SPS basis but WTO plus on procedures
 - e.g. Korea TBT sector provisions (working groups, specific standards, mediator, fast dispute settlement)
 - EU – Chile detail on how to apply equivalence and regionalisation
- EFTA
 - WTO commitments and obligations and general provisions promoting int. standards and mutual recognition

[Trade remedies]

- Anti-dumping, safeguards and countervailing duties
- Both EU and EFTA rely on WTO provisions on these
- Retain rights and obligations
- EFTA agreements have review of AD and safeguards after 5 years
- Generally shorter periods for bilateral safeguards (e.g. 1-3 years)

[Public procurement]

- 6% of GDP outside of GATT but plurilateral GPA
- Both EU and EFTA base FTA rules on the GPA
- EU has achieved some GPA-plus commitments with Korea (build-to-lease and sub-central procurement)
- EFTA appears to be just GPA commitments

[IPR]

- Important for European producers
- EU and EFTA require compliance with existing conventions (TRIPs, Bern, Rome etc)
- EU – Korea first FTA since Global Europe policy on effective enforcement of IPRs
- EU – Korea TRIPs plus in a few areas , e.g. GIs register for wines and spirits and agri-foods; also criminal enforcement

[Services]

- EU and EFTA use GATS approach (+ve listing except for with NAFTA parties)
- Generally GATS plus commitments
- Few exceptions on EU or EFTA side in modes 1-3; (education, health, transport) some real estate in new EU member states and EFTAns

[investment]

- Partially covered by GATS mode 3
- EFA has been more ambitious
 - EFTA Singapore comprehensive (definitions, pre-establishment national treatment, de facto expropriation, investor – state dispute settlement (ICSID))
- EU
 - limited by lack of EU competence before Lisbon Treaty
 - freedom for capital movements (was EC competence)

[Dispute settlement]

- Both EU and EFTA moving to adopt WTO type dispute settlement
- Detailed provisions
- Arbitration panels

[Sustainable development]

- Labour standards and environmental provisions
- EU has included core labour standards in FTAs (CARIFORUM and Korea), comply with those ratified; for Korea ILO type peer review to promote enforcement and standards
- EFA has no substantive provisions

[Institutional provisions]

- Both use Joint/trade Committees
- Increasing use of sub-committees and working groups
- EU – Korea is a case in point

[Summing up]

- EU and EFTA have had similar FTA policies
- Period of divergence during 2000s now coming to an end
- EU broader objectives but seeking to become more commercially oriented
- Content is broadly similar; although EU Korea is more comprehensive than existing EFTA FTAs