

Geneva, May 1991



Thirtieth
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European Free Trade
Association

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EFTA IN 1990

1990 was the year in which EFTA celebrated its thirtieth anniversary. The Association proudly looked back on three decades of achievement: free trade between its member countries in the 1960s, free trade with the European Community in the 1970s and even more far-reaching co-operation with the EC in the 1980s on the basis of the Luxembourg Declaration. But in this jubilee year, the EFTA countries had their eyes on the future rather than the past. 1990 was a year of transition, perhaps even a turning point in the Association's history, because it witnessed two important events: the beginning of formal negotiations with the European Community on a treaty establishing the European Economic Area (EEA - earlier referred to as the European Economic Space, EES); and the advent of more structured relations with three countries in Central and Eastern Europe.

It may be significant that both of these events more or less coincided with the official celebration of EFTA's anniversary during a summit meeting of the Heads of Government and Ministers of the EFTA countries in Gothenburg, Sweden, on 13 and 14 June. The Heads of Government, in the presence of the President of the EC Commission, gave the political signal for the EEA negotiations to start a week later. The EFTA Ministers signed, together with representatives of Hungary, Poland and Czechoslovakia, declarations covering trade co-operation; economic, industrial, technical and scientific co-operation; and co-operation in fields such environmental protection, tourism and transport. The Joint Committees set up by the Declarations met for the first time during the autumn. Negotiations on free trade agreements began with all three countries before the end of the year, based on the provisions calling for the joint examination of conditions for the gradual establishment of free trade areas. Similar negotiations were initiated with Yugoslavia, thus adding a new dimension to the long-standing ties that already existed between EFTA and that country.

The EFTA countries consider these two steps - the EEA negotiations and the new relationship to countries in Central and Eastern Europe - as being complementary. At the Gothenburg summit meeting the EFTA Heads of Government and their Ministers stated that "a closer partnership between the EC and EFTA within an EEA would be of great political importance for the reshaping of the European architecture and would strengthen the common capacity to offer inspiration and support to the new democracies in Europe". This view was shared by the Community, which towards the end of the year decided to start negotiations with Hungary, Poland and Czechoslovakia on association agreements. The parallel approach of EFTA and the EC as regards Central and Eastern Europe found expression in the Declaration of the joint Ministerial Meeting of EFTA and EC Ministers on 19 December in Brussels, in which they underlined "the important contribution which the EEA would make as a building block in the new European architecture".

The rapid changes taking place in Europe - characterized by reforms in Central and Eastern Europe, the unification of Germany and the growing attraction of the European Community - not only affected the Association, but also affected individual EFTA countries. The second half of the year witnessed a growing public debate in most EFTA countries on the advantages and disadvantages of EC membership. In the case of Sweden, this led to a formal decision by Parliament which envisaged a membership application in the not too distant future. As in the case of Austria, which submitted such an application in the summer of 1989, Sweden does not consider the aim of full membership as being in contradiction to the EEA negotiations. Instead, the two are seen as complementary - the EEA being a logical first step to eventual membership of the EC.

In spite of differing views of their future relationship with the EC, the EFTA countries in 1990 remained united in the pursuit of an EEA treaty.

DEVELOPING THE EUROPEAN ECONOMIC AREA

The EEA negotiations

After the decision taken at the joint Ministerial Meeting of 19 December 1989 "to commence formal negotiations as soon as possible in the first half of 1990" (see Annual Report for 1989), exploratory talks among high officials of the EFTA countries and the EC Commission began in January 1990. Their task was to clarify a number of points, in continuation of the earlier "fact-finding" phase of the talks carried out in the latter half of 1989. The exploratory talks were concluded on 20 March on the mutual understanding that "sufficient clarification had now been achieved on the possible scope, content and form of a future EEA treaty,... to launch formal negotiations". On 3 April, the EFTA Ministers declared their readiness to start the formal negotiations without delay.

The EC Council adopted the Commission's negotiating mandate on 18 June. This was followed by the first meeting of EFTA and EC negotiators on 20 June. Both sides decided to maintain the negotiating structure which had proven its worth during the fact-finding and exploratory stages, namely the High-Level Steering Group - a group of senior officials from the EFTA countries and the EC Commission - which was renamed the High-Level Negotiating Group (HLNG) once formal negotiations began. The HLNG was assisted by five negotiating groups (NGs), each one of which was responsible for specific aspects of the prospective EEA treaty:

NG I. Free movement of goods

NG II. Free movement of services and capital

NG III. Free movement of persons

NG IV. Flanking and horizontal policies

NG V. Legal and institutional questions.

During the first round of negotiations following the meeting of the HLNG on 20 June, both sides presented their starting positions. The actual negotiations began in late July and continued from September through December with monthly two-day meetings of the HLNG, which were preceded by at least one meeting of each negotiating group.

The first step was the joint identification of the so called, "acquis communautaire", (the legal acts as published in the Official Journal of the EC). The relevant parts of this legislation will be integrated into the treaty as the legal basis of the EEA. The negotiations in October centered on two key issues: the request of the EFTA countries for a certain number of permanent derogations from the "acquis", a request which they had already voiced in their opening statement of 20 June; and the reluctance of the Community to enter into substantive talks on the institutional arrangements for the EEA.

In order to resolve this situation, the EFTA Ministers agreed at an informal meeting in Geneva on 23 October on a message to their EC counterparts. The Ministers recognized "the need to reduce to a minimum the number of derogations, expecting that in turn the Community shall accept legal and institutional arrangements allowing for a common management and development of the EEA, in particular a genuine common decision-making mechanism."

At a meeting on the same day in Luxembourg, the EC Council for the first time recognized that questions concerning the content of the treaty and its institutions should be dealt with in parallel in the negotiations.

During a meeting of EFTA's chief negotiators and the Commission's chief negotiator in early November, all parties confirmed their political positions. The EFTA chief negotiators indicated to the Commission that in the context of an overall balanced solution, they were prepared to recommend to their governments that they consider withdrawing their requests for permanent derogations. This offer was conditional on a satisfactory legal and institutional set-up, transition periods for the implementation of appropriate non-discriminatory legislation and adequate safeguard mechanisms that would also take care of more specific situations. It was pointed out that this position did not cover matters related to transit, which were dealt with bilaterally by

the EC and Austria and Switzerland, or direct investment in the Icelandic fisheries sector, which is not included in the EEA negotiations.

This offer was conveyed to the EC in writing at an HLNG meeting on 22 November. It also contained a number of further elements necessary for achieving a political breakthrough, such as questions relating to higher levels of protection (which the EFTA countries want to maintain in certain cases); fish, competition, third country relations in financial services, the general approach to flanking and horizontal policies, the reduction of economic and social disparities, methods of securing legal homogeneity, participation in EC committees ("comitology"), decision-making, general surveillance and a judicial body for the EEA.

As a result of this EFTA initiative, considerable progress was made on a number of points in December and the way was paved for a joint Ministerial Meeting on 19 December in Brussels. This meeting led to progress in a number of key areas such as safeguard clauses, surveillance and common institutions (an EEA Council for the general political guide-lines and a joint body for the implementation and operation of the EEA). It left some crucial questions open, such as agriculture and fish, and did not give final guidance to the negotiators on some important institutional questions such as the participation of representatives of the EFTA countries in EC committees or the composition and competence of a joint judicial body.

Nevertheless, the Brussels meeting gave an essential political push to the negotiations. The firm desire of both sides to succeed was underlined by the wish expressed by the Ministers in their Joint Declaration, to see the EEA agreement enter into force on 1 January 1993 and that all efforts should be made to sign the agreement before the summer of 1991.

(The full text of the documents mentioned above can be found in the appendix.)

Negotiating Group I

Negotiating Group I (NG I) was first established as Working Group I, in the preliminary stage of the negotiations, to examine the

free movement of goods in the EEA. The EFTA representatives in the group held seven internal meetings and two joint meetings with representatives of the EC Commission in the first half of 1990. After the official start of the negotiations in June 1990, the group was renamed Negotiating Group I. The EFTA side of NG I held eight internal meetings in the second half of the year to reach common positions before joint meetings with the EC Commission. It held five joint meetings with the EC.

The relevant acquis

Together, without pre-judging their acceptability, EFTA and EC representatives in NG I identified approximately 800 pieces of EC legislation as being relevant to the free movement of goods in the EEA. This legislation covers technical barriers to trade, product liability, intellectual property rights and public procurement, as well as a number of miscellaneous items falling within the scope of NG I. The group also considered the relevance of legislation in several other fields such as competition, state aid, energy and veterinary and phytosanitary controls.

Basic provisions

The EFTA countries have, both internally and jointly with the EC, discussed what should be the basic provisions of the EEA treaty relating to the free movement of goods. These concern, inter alia, the elimination of customs duties and quantitative restrictions, the approximation of laws and the non-discriminatory application of internal taxes. In areas such as competition and state aid, the EEA provisions will consist of treaty articles and of secondary legislation included in annexes. The question of how to integrate the acquis into the EEA treaty, particularly as regards technical norms, has also been discussed.

High level of protection

When examining the EC acquis the EFTA countries noted that in some areas of technical barriers to trade, the difference between EC and EFTA legislation is so great as to make it difficult for the EFTA countries to adopt it as such. This mainly relates to areas where the EFTA countries wish to retain their own high level of protection for reasons of health, safety, environmental protection or consumer interest. The EFTA countries consider these areas to be of fundamental importance. They relate, for example, to rules

concerning foodstuffs, exhaust emissions, chlorofluorocarbons and chemicals. EFTA and the EC are developing proposals for solving thorny issues in these fields, for example, by allowing partial derogations, transitional periods or other solutions.

Technical standards and regulations

EFTA and the EC have begun to study how the existing information procedures for standards and technical regulations should be developed in the EEA. Procedures for the exchange of information on standards do not present great difficulties, as both the EFTA and EC countries are members of the European standardization organizations CEN, CENELEC and ETSI. How to treat information on draft technical regulations is still being considered. Both EFTA and the EC have systems for the exchange of information on draft technical legislation among their own member countries. In addition, a bridge for joining these two systems, a new EFTA-EC procedure, began on 1 November 1990. The joint procedure will give an idea of how the exchange of such information could take place in the EEA. Many of the issues related to the setting up of an EFTA-EC procedure for exchanging information, such as initiatives for new directives and standstill periods for new national technical legislation, form part of a more general issue in the EEA negotiations, namely that of decision making and the decision shaping.

Marking

Discussions on a mark for tested and certified products began only recently. EFTA would prefer a common EEA mark, which would, however, mean a common regime towards third countries. The EFTA countries need a satisfactory solution guaranteeing their participation in defining such a policy. The EC's preference is to have its own mark accepted in the EEA. This question, as well as how to negotiate with third countries on common agreements, has yet to be decided.

Competition rules

The EFTA countries and the EC have agreed on the need for equal conditions for competition and equally strong and reliable surveillance throughout the EEA. To this end, it has also been agreed that the competition rules in the Treaty of Rome should form the basis for the substantive rules to be included in the EEA treaty

in this field. Furthermore, the two sides have agreed to work on the hypothesis that an independent EFTA structure for the surveillance and enforcement of these rules will be created. This model presupposes that criteria for the attribution of cases between the EC and EFTA structures will be agreed upon. A decision made by one structure would be respected by the other, unless challenged before the EEA court (see Negotiating Group V).

State aid

During the first half of the year, the working group on state aid concentrated on identifying what Community legislation could form the basis for EEA rules in this field. This was mainly a fact-finding exercise, where EFTA scrutinized the acquis communautaire on state aid, which encompassed some 35-40 binding and non-binding acts.

In NG I the point of departure for EFTA was that an EEA regime on state aid should contribute to ensuring equal conditions of competition and free and undistorted trade in goods and services within the EEA. EFTA considers the acquis on state aid to form a suitable basis for negotiation, and has found it largely acceptable as a framework for the EEA rules. Certain areas have been subject to negotiation, inter alia, the rules on regional aid, where EFTA has demanded that differences between EFTA and the EC, as regards geographic and socio-economic circumstances, be taken into account when assessing the permissibility of aid schemes. Specific negotiations on state aid rules have been confined to areas other than fisheries and agriculture.

Both EFTA and the EC recognize the need to complement substantive rules with an adequate system of surveillance and enforcement. Different means for ensuring this were discussed in joint expert meetings and in NG I, without a final conclusion having been reached by the end of the year. However, close co-operation between the EFTA structure and the EC is considered to be a precondition for ensuring the mutual transparency and uniform interpretation of EEA rules.

Public procurement

EFTA and EC experts have identified the relevant acquis communautaire in public procurement for the effective opening up of

public procurement markets as of 1 January 1993. This acquis would be the basis for EEA legislation on public procurement.

Some EFTA countries have requested transitional periods for technical legal reasons, allowing them to have time to adapt their legislation to the opening up of regional and local markets. EFTA has also stressed the link between substance and surveillance in public procurement.

In the joint NG I it was agreed that drafting of the text for a comprehensive agreement in this field could start at expert level in January 1991.

Product liability

The EC Council directive of 25 July 1985 on the approximation of the laws, regulations and administrative provisions of the member states concerning liability for defective products (85/374/EEC) has been identified as being part of the relevant acquis communautaire.

The directive has been extensively discussed in the follow-up to the Luxembourg Declaration (see Luxembourg Process) and was found to be largely acceptable to the EFTA countries. The items which are being discussed, mainly concern differences in national legislation arising from different legal traditions. Existing special liability regimes and the conditions under which all EEA enterprises could be treated identically, with regard to the liability of importers, are the two main questions still being discussed.

Intellectual property rights

The relevant acquis communautaire contains several acts dealing with intellectual property. The main items which have been discussed are:

- the harmonization of laws relating to trade marks, legal protection of semiconductors and computer programs;
- the possible participation of the EFTA countries in the Community Patent Convention and in the Community Trade Mark;
- a marking system to be established by the Council Regulation on the Community Trade Mark;

- exhaustion of rights;
- linkage between the intellectual property law and competition law.

The Community has declared its intention of issuing several new pieces of legislation relating to intellectual property law in the next two years. These proposals and their possible effects on EFTA-EC relations have been discussed in detail at the level of experts in the negotiations.

The EFTA countries have emphasized their willingness to cooperate extensively in this field. The main items that remain to be solved in 1991 are connected to the Community Patent Convention and the proposed Council Regulation on the Community Trade Mark.

Agriculture

During the preparatory phase of the talks in the first half of 1990, both the EFTA countries and the EC Commission indicated that a common agricultural policy was not aimed at in the negotiations.

In November, the Community presented its proposals on the possibilities for improving conditions of trade for agricultural products. EFTA commented upon the proposals, which related, inter alia, to the elimination of customs duties and quantitative restrictions, veterinary and phytosanitary matters and concessions requested with a view to reducing economic and social disparities (i.e. "cohesion"). In this context, the EFTA countries stressed that the possibilities for pursuing national agricultural policies should not be limited. They also pointed out the need for arrangements for processed agricultural products.

Due to the late completion of the EC proposal, no discussions or negotiations on the details of the agricultural issue began in 1990.

Fish

In the area of fisheries the aims of the two parties have been different. The EFTA countries have proposed to extend the EEA free trade regime to fish and other marine products, but the EC has only expressed an interest in dealing with fishing rights in the EEA negotiations. Because of these different approaches, negotiations on

fisheries began with an exchange of information at the level of experts.

Steel

The possibilities of including the steel sector in the EEA were discussed. No proposals were presented in 1990.

Energy

The Community forwarded a proposal to include certain directives concerning energy in the EEA negotiations. The parties discussed the relevance of those directives to the free movement of goods within the EEA.

Rules of origin, border formalities and customs legislation

In the autumn of 1990, a sub-group of NG I was created to deal with customs legislation. The sub group, which met for the first time in November 1990, dealt with the following subjects:

- rules of origin (alternative percentage rules, cumulation, relaxation of the territorial principle, evidence of origin, institutional aspects);
- outward processing in textiles (OPT);
- inward processing relief arrangements;
- simplification and harmonization of border inspections and formalities;
- combating trade in counterfeit goods;
- trade facilitation (the TEDIS programme, Western European EDIFACT, the CD project);
- mutual assistance in customs matters;
- co-operation on tariff classification and binding tariff information on the combined nomenclature;
- co-operation within international organizations;

The EFTA countries presented concrete proposals to the EC in the fields of: rules of origin, outward processing in textiles, inward processing and trade facilitation. The sub-group is served by a small team of customs experts in the Secretariat. The meetings with the EC side require extensive preparation on the part of the Secretariat.

In the negotiations, the EFTA countries have stressed that a main ingredient for an improved free trade area is to find ways of simplifying and improving existing rules of origin. The electronic data interchange, which is growing world-wide, must also be promoted further in the EEA, for example, by creating joint EFTA-EC responsibility for the TEDIS programme and the CD project. The EFTA countries also want to simplify customs legislation, for example formalities at internal EEA borders.

EC committees

In the course of the negotiations both sides have prepared and exchanged lists of EC committees that they consider relevant in the context of the EEA. The role and work of several committees has been examined in detail both in NG I and at the expert level.

The EFTA countries have stressed that a satisfactory solution for participation in EC committees is a precondition for integrating the relevant EC legislation into the EEA. The EC has (while admitting the necessity of establishing the appropriate solutions for co-operation) stressed the need for safeguarding its internal decision-making autonomy.

NG V is expected to agree to a horizontal solution relating to EC committees, after which sectoral negotiations relating to participation in EC committees can be completed.

Negotiating Group II

Negotiating Group II (NG II) is responsible for two of the four "freedoms" that are being negotiated in the EEA negotiations:

- the free movement of services;
- the free movement of capital.

Economic and monetary policy co-operation is also an important part of the negotiations in NG II.

Each EFTA country, including Liechtenstein, is represented at meetings of the group by a delegation of varying size depending on the issues under discussion.

The services dealt with in NG II are:

- financial services (banking, insurance and securities);
- transport services (all modes of transport);
- telecommunications (all forms except normal telephone services);
- audio-visual services (television broadcasting across frontiers);
- information services (data protection, information security programmes for the establishment of a Europe-wide market for information services).

Capital movements dealt with by NG II mainly concern:

- portfolio investments;
- direct investments;
- acquisition of real estate.

Negotiations in these two areas are served by the Economic Affairs Department of the EFTA Secretariat. The Director of Economic Affairs, Per Magnus Wijkman, heads a team of six experts, which in addition to a support staff of statisticians and secretaries, assists the group. A legal expert from the Legal Affairs Department is also a member of the team.

Eighteen internal meetings of NG II were held in 1990 and eight joint meetings with the EC. Many sub-group and expert meetings, both internal and joint, also took place. On the average, about fifty representatives of EFTA and the EFTA countries were present at meetings of NG II, and about twenty at the expert meetings.

Each meeting required extensive preparations on the part of the Secretariat. The number and frequency of these meetings can be gauged from the fact that the total number of meeting days adds up to some seventeen years. The amount of travel involved is similarly great with the total distance equalling approximately eighty trips around the world! About 200 documents were discussed and approved at the meetings.

The negotiations from June 1990

During the first stage of the negotiations the group concentrated on defining the Community acquis relevant to services and capital movements. In total, it found some 200 legal instruments to be relevant, as well as nearly 40 EC committees.

Requests for derogations

After identifying the relevant acquis, EFTA was to state its requests for derogations where demanded by fundamental national interests. These requests were either for transition periods or for permanent exceptions. However, on 8 and 9 November 1990 the EFTA negotiators stated their willingness to propose to their governments that they consider withdrawing their requests for permanent derogations and to explore the possibility of replacing them by transition periods, safeguard arrangements or non-discriminatory measures subject to satisfactory solutions on institutional questions. In the areas covered by NG II, possible derogations mainly concerned direct investment and investment in real estate.

Emerging agreement

There was full agreement on the relevant acquis in the field of financial services and its application in the EEA. The two organizations also took a large step forward by agreeing to a de facto common regime towards third countries. Agreement was reached on the basic elements of such a regime. Some other issues needed further clarification.

Both sides agreed to liberalize capital movements on an erga omnes basis, that is, not to discriminate between "third countries". Both the EC and EFTA also agree on the need for safeguard provisions similar in scope and coverage to the provisions in the Treaty of Rome. Some problems of an institutional nature still remain.

Some work still has to be done in the area of NG II on the specific safeguard provisions that are to replace requests for derogations related to direct investment and real estate.

Both EFTA and the EC agreed that economic and monetary policy co-operation constitutes an important area in the future EEA, and

that it should be a part of the treaty. This co-operation should take the form of consultation, an exchange of information concerning the implementation of the EEA treaty and on the macro-economic situation, policies and prospects. Both parties agreed that consultation should take place in potential safeguard situations.

As for transport, both sides agreed on the relevant Community rules and their implementation with appropriate transition periods, with the exception of issues covered by the on-going bilateral negotiations related to transit.

The EC and EFTA agree that information sources constitute an important area of co-operation.

It was also agreed to establish a competitive EEA-wide market in telecommunications. This is on the basis of open network provision covering all value added services except for normal telephone services.

EFTA NG II has started working on drafting legal texts. All the primary legislation concerning NG II has been drafted and submitted to the HLNG and the General Drafting Group. A large task in 1991 will be to draft all the secondary legislation to be integrated into the EEA treaty.

Negotiating Group III

Areas covered by Negotiating Group III (NG III) include labour market questions in relation to the free movement of workers, social security for migrant workers, freedom of establishment and freedom to provide services for self-employed persons, mutual recognition of diplomas and the question of border controls for persons.

During the exploratory phase of the negotiations, Working Group III, as it was then called, clarified questions concerning the identification of the relevant acquis communautaire in the field of the free movement of persons. It also made a preliminary identification of the problems that could arise if the EFTA countries were to adopt the relevant acquis.

Three joint meetings of NG III took place after the start of negotiations in 1990. Discussions concentrated on the identification

of necessary derogations/safegard arrangements and transitional periods for the application of the acquis in the EEA.

Disagreement arose on a few points concerning the relevant acquis, including some in the following areas: access to employment in public service; the right of residence for economically non-active citizens; and border controls for persons. In all these fields the EC wanted to narrow the scope of co-operation considerably.

The EC further called into question the safeguard arrangements sought by EFTA in the free movement of persons for Iceland, Liechtenstein, and Switzerland, where the question involves vital national interests.

EFTA would like to reach an agreement on a common EEA labour market, on the basis of the principles embodied in the Treaty of Rome and Council Regulation 1612/68, which would give citizens of one member state of the Community access to labour markets in all other member states on the same conditions as the nationals of those states, and prevents discrimination against them as far as employment and working conditions are concerned. The principle of non-discrimination also concerns social and tax conditions, access to training activities, membership in trade unions and trade union rights. The conditions for free movement also encompass the worker's family.

Agreement on the free movement of persons must contain common provisions for co-ordinating social security for migrant workers. The EC system is based on the principles of non-discrimination with regard to citizenship, the combination of qualification and insurance periods from different member states and the "exportability" of benefits. All wage-earners should be covered by the social security scheme of the country in which they are employed.

In order to arrive at the free movement of self-employed persons it is essential to agree on the right of establishment and the freedom to provide services. In the Community there are directives that abolish restrictions in several branches and professions.

It is very important to find measures to allow for the true free movement of persons, such as a system of mutual recognition of diplomas and equivalent training qualifications. These questions should be covered by the EEA agreement.

The EFTA countries have stated their interest in participating in and contributing to the current work taking place in the EC on the simplification of border controls for persons. There is no EC acquis in this area and the Community's competence is limited. The work carried out in the EC has the character of international co-operation.

Negotiating Group IV

Negotiating Group IV (NG IV) on flanking and horizontal policies encompasses a wide variety of multifaceted and complex areas, such as research and development, education, small and medium sized enterprises, consumer policy, social policy, the environment, tourism, statistics, company law, civil protection and culture. By definition "cohesion", or the reduction of economic and social disparities, also belongs to this group. The scope of co-operation is open-ended; new areas can be added should the parties so agree. As the subjects covered by NG IV include some of the more political and developing aspects of Community policy, they have to some extent been subject to ad hoc co-operation between the EFTA countries and the EC, within the framework of the Luxembourg process.

One of the goals of EFTA in the EEA negotiations is to broaden and strengthen co-operation in these areas, by giving them a firm legal basis in the treaty and through the full and equal participation of the EFTA countries in EC activities. There should also be a possibility, for the parties concerned, to launch common projects and for EFTA to take the initiative.

The common denominator of the flanking and horizontal policies is that they are not treated by the groups negotiating the four freedoms and do not directly influence the creation of the four freedoms. Indirectly they have a very strong impact on them and on conditions for competition. They are perhaps also the areas where future co-operation will most obviously bear witness to the fruits of integration for citizens of the EFTA countries, e.g. in fields such as education, the environment, consumer and social policy.

Organization of work

EFTA Negotiating Group IV held 14 internal meetings during the year, occasionally in the form of a chairman's ad hoc group.

When the negotiations started in June, the group, which was previously known as Working Group IV, was renamed Negotiating Group IV. It held five joint meetings during the autumn. A joint report was made after the first joint meeting in July. In addition, a number of informal joint NG IV meetings were held in which experts from the Commission and from EFTA participated.

It was clear at an early stage that substantial assistance would be needed from experts, because of the complexity of the issues and the very wide spectrum covered by NG IV. The group therefore decided to call upon existing EFTA expert groups to assist in the work. Two new groups were created: for social policy and tourism. In order to fulfil the tasks requested by NG IV the expert groups held the following number of meetings:

EFTA groups	internal meetings	joint meetings
environment experts	10	2
education experts	4	2
tourism experts	1	countries a
consumer policy experts	5	2
social policy experts	5	2
R & D experts	5	2
SME experts	4	4
nuclear safety experts	3	and for EFT
experts in statistics	The same 7 mest nom	3
experts in company law	3	3

The bureaux of EFTA WG I and WG IV had a common meeting in order to establish the division of work between the two groups concerning EC legislation with an environmental impact.

EFTA internal preparations

One of the main issues embarked upon in the internal preparatory work of EFTA NG IV was to formulate the aims and goals of future

co-operation and to transmit those ideas to the other side. Other issues included identifying the relevant EC aquis and committees. In that respect NG IV identified problem areas where one or more EFTA countries would have difficulties implementing the EC legislation from the date of entry into force of the EEA.

One such area was the environment, where the technical and administrative approach to reaching environmental goals, e.g. those concerning air and water quality, differed between some EFTA countries and the EC. Other problems were identified in the fields of company law, social policy and statistics, where some or all EFTA countries needed more time for the technical adaptation of their legislation to the acquis. There was also a need for derogations in some cases.

The course of the negotiations

When the negotiations started in June it soon became evident that the EC wanted to make a distinction between what it identified as the relevant acquis, i.e. that which, according to the EC was directly connected with the four freedoms; and other EC legislation, which were called "reference points" and contained information on EC activities, and which should not, in the EC's view, be integrated into the treaty in the same way. EFTA did not accept this definition, which would have excluded some of the more important areas, such as R & D, education and some environmental aspects. This issue became one of the main negotiating issues during the autumn. The EFTA countries claimed that all the acquis identified by them should be treated in the same way as the four freedoms.

A great deal of effort - both internal and joint - was also devoted to defining the types/modes of EC activities.

The EFTA expert groups played an important part in identifying together with EC experts - the acquis and the relevant committees, and clarifying problem areas for the EC. In quite a few cases the problems were solved. However, a number of requests for transition periods remains, as well as one request for a special solution and two requests for derogations (which will be withdrawn subject to certain conditions). The definitive outcome will, of course, have to wait until the end of the negotiations. The EFTA experts also played an active role in specifying the modalities of co-operation and in assisting in the preparation of the draft legal texts of the treaty.

The EFTA negotiating group elaborated draft primary law texts in co-operation with experts. These were gradually handed over to the EC as the basis for informal discussion. By the end of the year no formal reactions had come from the EC, but the EFTA side had been made to understand that its views on the structure of the treaty and the scope for co-operation in flanking and horizontal policies did not coincide with those of the EC.

The joint Ministerial Declaration of 19 December 1990 gave new impetus to the work of NG IV by emphasizing that "the EEA agreement should provide a firm legal basis for a comprehensive and dynamic co-operation. It should also promote the development of actions of common interest."

The situation at the end of the year

A number of questions still had to be negotiated at the end of the year, one of the more important being the exact scope of cooperation in flanking and horizontal policies. Other outstanding issues were those, such as, when co-operation could start in EC programmes in fields such as those of education and R & D; detailed modalities for co-operation and participation in EC committees, etc.

One issue on the agenda of NG IV is the reduction of social and economic disparities, which is also known under the heading of "cohesion". The EFTA countries have stated their willingness to study EC proposals on this subject, but none were forthcoming during 1990. Instead, the EC made a number of requests in NG I for concessions in the agricultural field, including "cohesion products".

In their joint December communiqué the Ministers agreed that the "negotiations should be actively pursued on adequate ways and means in the context of the EEA to reduce regional economic and social disparities so as to ensure an overall balance of benefits for all contracting parties".

Negotiating Group V

NG V deals with the legal and institutional questions concerning the establishment of the EEA. During the exploratory talks in the first half year, Working Group V, as it was then called, held 8 internal and 4 joint meetings with the EC Commission. After the official start of the negotiations the group met as Negotiating Group V (NG V), 11 times internally and 5 times jointly with EC representatives.

A point of departure for the work of NG V has been that the negotiating parties have agreed that the relevant acquis communautaire shall form the legal basis of the EEA. To this end Negotiating Groups I - IV have identified as relevant some 1400 legal acts, or more than 10,000 pages in the Official Journal of the European Communities. An important task of NG V during the year has been to elaborate a technique for integrating these acts into the EEA treaty. This work has resulted in an agreement to use a general reference technique for the integration of the relevant acquis, which, in general terms, means that the titles of the jointly identified EC acts are referred to in Annexes to the EEA treaty. The provisions of the acts referred to thereby become a part of the EEA treaty. By integrating these acts into the EEA treaty, the contracting parties aim at fulfilling the agreed objective of the negotiations, namely the creation of a dynamic and homogeneous EEA.

It is of the utmost importance that the homogeneity of the EEA is also maintained after the entry into force of the EEA treaty. NG V has, therefore, elaborated an EEA decision-making process which would allow the contracting parties to jointly develop new rules. Essential elements of that procedure were agreed upon during the second part of the year, the so-called continuous information and consultation procedure. In addition, any contracting party should have the possibility to raise a matter of concern at any moment and at any level (droit d'évocation). Decisions at the EEA level would be taken by consensus of the EC on one hand and the EFTA Countries speaking with one voice on the other, and will have the character of public international law. These ingredients of the decision-making procedure were confirmed in the joint Ministerial Declaration of 19 December.

Once the EEA treaty enters into force the substantive rules will be identical in the EFTA Countries as well as in the EC member states. In order to safeguard the homogeneity of the rules also after the entry into force, it is absolutely necessary that all states concerned can take part in the daily implementation, management and development of the common rules. In the EC much of this work is carried out by means of committees consisting of experts and representatives of the EC member states. A solution therefore has

to be found through which also the EFTA Countries can, in a corresponding way, be involved in this work on all issues relevant to the EEA.

The good functioning of the EEA requires that the rules are not only homogeneous throughout the EEA, but that they are also implemented, applied and interpreted in a uniform manner by the contracting parties. In order to attain this objective, NG V has negotiated on an EEA mechanism for surveillance and judicial control. The negotiators worked on the hypothesis that an independent EFTA surveillance body be established with equivalent powers and similar functions to those exercised by the EC Commission. It was, furthermore, agreed that an EEA judicial mechanism should be established. It is envisaged that an EEA judicial mechanism should consist of judges from the EC Court of Justice and from the EFTA Countries. The negotiations on these vital issues continue.

As to the EEA institutions, the Ministers on 19 December agreed that an EEA Council and an EEA joint body be established. The EEA Council should be composed of the members of the EC Council, members of the EC Commission and Ministers of the EFTA Countries. The EEA Council should be the more political organ and should, in particular, be responsible for the general political guidelines for the EEA, assessing the functioning and the development of the agreement and political decisions leading to modifications of the EEA treaty. The EEA joint body would be responsible for the operation and implementation of the treaty including the taking of decisions regarding the EEA.

During the identification of the acquis communautaire it became apparent that the full application of the relevant acquis could, in some countries and in some sectors, cause problems. In order to avoid having derogations in the Treaty, the EFTA side, in November, suggested that safeguard provisions be included in the treaty. NG V elaborated procedures for the triggering of such provisions. The essence of that procedure is that each contracting party would be allowed - after notification and consultation in the EEA joint body with a view to find a commonly acceptable solution - to take appropriate safeguard measures. Priority shall be given to such measures as would least disturb the functioning of the treaty.

The work of NG V also covers many other questions than those mentioned above. Examples of other questions which have been discussed in NG V are the parliamentary dimension of the EEA, the involvement of the social partners in the EEA, direct effect and primacy of EEA rules, the relationship between existing agreements and the EEA treaty, approximation of laws, interpretation of EEA rules, publication of EEA rules, etc.

The Luxembourg process

The Luxembourg process, which was initiated at a joint EC-EFTA Ministerial Meeting in Luxembourg in 1984, continued in parallel to the EEA process. Both sides are interested in ensuring an appropriate implementation of the declaration adopted in Luxembourg, notably in fields where there are possibilities for an early development of EFTA-EC co-operation.

There are several examples of such early results, for instance cooperation between EFTA and the EC on education, - COMETT and (early in 1991) ERASMUS - statistical co-operation as well as cooperation in the area of small and medium-sized enterprises.

The intensity of the EEA negotiation schedule limited the resources that could be devoted to the Luxembourg follow-up. Most fields were also dealt with in the EEA negotiations. Nonetheless, both sides have reason to be satisfied with the results achieved, some of which are outlined below.

Technical barriers to trade

The EFTA countries continued to exchange views with experts from the European Communities on technical harmonization in a broad range of fields, particularly those covered or intended to be covered by EC new approach directives. In that context, meetings were held both at the level of experts on general questions of technical barriers to trade and at the level of specialists for specific industrial sectors.

With a view to implementing harmonized technical regulations uniformly throughout the EC and EFTA countries, and to further the openness of markets in fields such as information technologies and telecommunications, the European standardization bodies CEN,

CENELEC and ETSI were entrusted with important new standardization mandates issued in parallel by EFTA and the EC Commission.

In that context the EFTA countries and the EC Commission share a desire of ensuring that the European standardization bodies be in a position to cope with the challenge of harmonizing specifications in a variety of fields in a relatively short time. Views on the measures to be taken in order to strengthen the European standards system were exchanged, taking into particular account, proposals presented by the EC Commission in its Green Paper on standardization.

In a co-operative effort, the EFTA countries and the EC Commission, together with CEN and CENELEC, set up the European Organization for Testing and Certification (EOTC). A Memorandum of Understanding was signed in April 1990 and the first meeting of the governing body of the EOTC took place in November 1990.

The authorities of the EFTA countries responsible for the approval of telecommunications terminal equipment agreed with the EC Commission and the responsible European joint committee of the 19 EFTA and EC countries, TRAC, on a Statement of Intent, according to which they will in future rely, with regard to the final phase of mutual recognition of approval of telecommunications terminal equipment, to the extent possible on the work of TRAC.

A new instrument for preventing the creation of further technical barriers to trade, a procedure for the exchange of information on draft technical regulations, was negotiated between EFTA and the EC over the last two years. This new joint EFTA-EC procedure on draft technical regulations entered into force 1 November 1990. This procedure forms a bridge between the existing information procedures in EFTA and the EC. It contains a three month standstill period for commenting on proposed regulations in the EFTA and EC countries.

Joint EFTA-EC efforts to make the existing information procedures on standards more efficient and user-oriented have been discussed with the standardization institutions. For this purpose a new study is being considered.

Education

An agreement on the participation of EFTA countries in the EC programme, COMETT, was concluded in December 1989. In

November 1990 negotiations began on EFTA participation in the second EC educational programme, ERASMUS. Agreements between the EFTA countries, Liechtenstein and the EC Commission were approved in February 1991.

Students from EFTA countries and those from Liechtenstein will be able to take part in the ERASMUS programme from the academic year 1992/1993. Universities must still negotiate amongst themselves the mutual recognition of the study years they offer. Selection procedures will be set up in October 1991 and candidates will be able to apply as of March/April 1992. Thus, the negotiations that began in late 1990 have ensured that as of the academic year 1992/93, students from EFTA countries will be able to study in Community universities and, conversely, EC students in EFTA universities.

Participation by the EFTA countries and Liechtenstein in the programme's budget will reach 14 per cent of the annual total. For the year 91/92, the total will be some 11.5 million Ecus.

Participation in ERASMUS will be on the basis of sectoral cooperation agreements between each of the seven countries and the Community for a period of five years. An optional clause provides for their inclusion in the future treaty on the European Economic Area once the latter has been concluded.

Statistical co-operation

Although this field was only recently included in the follow-up to the Luxembourg Declaration, impressive progress has already been made.

EFTA-EC statistical co-operation is jointly administered by the EFTA-EC DGINS conference, which is made up of the Directors-General of the EFTA and EC statistical offices, including EUROSTAT, the statistical office of the European Community.

A major breakthrough was achieved at the meeting of the conference in November 1990, when it was agreed that EFTA and EC statistical offices would jointly develop standardized European statistics in tourism, transport, migration, services and the environment. Work in this field is expected to begin in early 1991 with the establishment of joint working groups. The statistical agencies in the EFTA countries also agreed to send statistical

experts to Luxembourg to work with their EC counterparts in projects concerning national accounts and the classification of industrial activities. A statistical framework programme for all 19 countries for 1993-1997 will be prepared in 1991-1992. EFTA statisticians will have full access to the EC's training programmes for statisticians.

EFTA has created a new statistical post, that of statistical adviser based in Luxembourg. The adviser, who will take up his post in February 1991, will act as a liaison between EFTA and EUROSTAT.

Small and medium sized enterprises (SMEs)

The EFTA countries joined the BC-Net System in March 1991. As a result, small and medium-sized enterprises in the EFTA countries will be able to participate in a computer network covering 19 countries.

BC-Net is an information system enabling firms to bring their proposals for co-operative ventures to a much wider audience, especially outside their home country. It provides a quick and inexpensive way for potential partners to obtain the information and terms for a wide variety of proposals, and offers important new possibilities to small and medium sized firms that might otherwise not have the financial means to cast their nets so wide.

Environment

EFTA has pursued a dialogue with the EC in the crucially important area of the environment. A major achievement during 1990 was the joint meeting of the EFTA and EC Ministers responsible for the environment, which took place in Geneva, in November. This was the second Ministerial Meeting of this kind and it allowed the 19 Ministers to define some common goals, including the reduction of CO₂ emissions.

The joint President's conclusions adopted by the Ministers in November gave added input to and constitutes a common platform for future co-operation in the field of the environment among the 19 countries concerned. A meeting of senior EFTA and EC environment officials will take place in Salzburg, Austria, in the spring of 1991. They are expected to discuss, among other issues, climate change and common action towards East European countries.

The issue of EFTA participation in the European Environmental Agency is still open, due to internal EC discussions concerning where to establish its headquarters.

Tourism

During 1990 the EFTA countries actively participated in the European Year of Tourism as equal partners of the Community. It is the first field in which the EFTA countries have had a status equal to that of EC member states. EFTA took part in the management of the theme for the year.

Research and development

A joint meeting of members of the EC's Committee for Scientific and Technical Research (CREST) and their EFTA counterparts took place in Stockholm on 14 September 1990.

A comprehensive exchange of information took place at the meeting, on the basis of a collection of essays prepared by the EFTA experts on R & D (Some Perspectives on Research and Development in EFTA Countries) and on the basis of oral presentations by the EFTA delegates. The discussion was encouraging and constructive, especially on the challenges and problems which the EFTA and the EC sides face in the R & D field. The meeting demonstrated that, at the expert level, EFTA's position in various R & D fields was to a great extent shared by the EC.

The participants expressed their willingness to continue the process on a regular basis and agreed that the next meeting should focus on a few specific topics. The preparations for the next meeting should start early in 1991. The EC's R & D programmes are gradually being opened to full participation by EFTA.

Consumer policy

A Ministerial Meeting in the field of consumer protection took place in Stockholm on 12 November 1990.

Social policy

A conference on the social dimension of European integration was arranged by the Norwegian Government, the Norwegian Confederation of Trade Unions, the Confederation of Norwegian

Business and Industry and employer's federations of EC and EFTA countries, in Oslo, on 18 and 19 October 1990.

Exchange of information on the economic situation

EFTA-EC economic experts meet regularly to exchange information on the economic situation, in particular on economic prospects and policies. Since 1989 this exchange has been substantially broadened and deepened and now includes such topics as: economic developments in Eastern and Central Europe, the consequences of European integration, as well as analyses and studies of its' consequences.

In 1990 the Economic Committee met twice: in May and November. In the context of broadened co-operation, EFTA presented the results of a recently completed study that estimated the effects of integration in the financial services sector. The EC presented plans and preliminary work carried out on a corresponding study of the services sector. Further co-operation is expected in this field.

Both sides expressed their satisfaction with the on-going dialogue and agreed to continue along the same lines in the future.

Transport

Negotiations on an agreement for scheduled air passenger services began between Norway, Sweden and the EC. These negotiations are expected to be completed by mid 1991 and the EFTA countries have expressed a wish that similar agreements can be subsequently concluded with all the EFTA countries to ensure a common policy for civil aviation and for all other forms of transport.

Negotiations on road transport are taking place at the bilateral level between the EC and Switzerland and the EC and Austria.

Trade facilitation

(a) TEDIS Programme

After the signing of bilateral agreements providing for the participation of the EFTA countries in the EC Commission's TEDIS (Trade Electronoc Data Interchange Systems) Programme in December 1989, awareness studies were carried out throughout the EFTA countries. Legal studies are under way and will be finished by

mid 1991. With participation from EC member states as well as EFTA countries, several pilot projects on EDI support of trans-border trade have been launched. A second phase of the programme was prepared during the year, and is scheduled to start 1 July 1991. It is expected to cover a period of four years (1991 - 1994) and is more extensive than the first, initial, phase. It will concentrate on coand horizontal projects, sectoral the ordinating telecommunications, security legal aspects, standardization, questions, etc.

(b) UN/EDIFACT

The EFTA experts continued to take an active part in the Western European EDIFACT Board, including its Co-ordinating Committee, Management Bureau and working groups, with the aim of developing electronic message standards and increasing the awareness of the EDIFACT work in Europe. Eight Message Development Groups were established to define the need for and to develop electronic messages within their field, and to ensure the application of EDIFACT standards. They covered areas such as trade, transport, customs, banking, construction, insurance, travel and tourism and leisure. A new post as UN vice Rapporteur for Western Europe was created. The structure of the Western European EDIFACT board, including its committees and working groups, is presently being reorganized in order to meet the new demands that follow in the wake of the development and the increasing number of EDI user groups. Two EFTA staff members work in the Western European EDIFACT Board Secretariat in the EC DG XIII/D/5. The vice Rapporteur and the Secretariat are represented in the Management Bureau.

(c) CD Project

The EC project on the co-ordinated development of computerized administrative procedures (CD Project) was launched in 1986. Within the CD Project, EFTA and the EC are co-ordinating the harmonization of administrative customs procedures. During the last year, two EFTA countries (Norway and Switzerland) and a representative of the Secretariat have been participating in a pilot project on computerized transit procedures for traders who do not benefit from simplified procedures. The EFTA countries have been invited to participate in a pilot project on simplified customs procedures for authorized traders, which is now being prepared.

Simplifying rules of origin

The origin rules in the free trade agreements between the EFTA countries and the EC determine which products are duty-free in EFTA-EC trade. They have been simplified in various ways since they first came into effect in 1973.

Based on the positive experience of alternative percentage rules in the engineering sector, which allow products to qualify as originating by satisfying either the processing criterion or the alternative percentage criterion, the EFTA countries have proposed simplifying the rules further.

EFTA-EC discussions were held on different proposals for amendments to the origin rules. These included several cases concerning the need to restore the substance of the origin rules as they were before the introduction of the Harmonized System on 1 January 1988.

Mutual assistance in customs matters

Following the invitation of the EC Commission in May 1989, to discuss a possible EFTA-EC agreement on mutual assistance in customs matters, an EFTA ad hoc group was established in order to prepare a common EFTA platform.

The ad hoc group has met on several occasions both within EFTA and with the EC.

Although differences still exist, relatively good progress has been made towards achieving an EFTA-EC agreement on mutual assistance in customs matters.

Indirect taxation

Due to various circumstances the work on aligning certain aspects of the EFTA indirect taxation systems with EC rules - specifically, exemptions and allowances permitted in the case of cross-frontier trade and traffic - came to an almost complete standstill during the first half of 1990. However, the EFTA countries renewed the mandate for the ad hoc expert group in this field. The EFTA ad hoc expert group met twice to examine the possibilities of establishing EFTA-EC arrangements based on the existing EC rules.

RELATIONS WITH OTHER COUNTRIES AND INTERNATIONAL ORGANIZATIONS

The EFTA Industrial Development Fund for Portugal

The EFTA Industrial Fund for Portugal approved 51 loans from 1 February to 31 December 1990, for a total of 6,830 million Escudos (approximately 52 million US dollars). These loans are estimated to have played a part in creating over one thousand new jobs and in protecting some 8,195 existing ones.

The EFTA Industrial Fund for Portugal has been operating since 1977. Its purpose is to aid industrial development in Portugal by financing projects undertaken by small and medium sized firms.

By any measure, the Fund has been successful during its 14 years of operation and has achieved remarkable results. It has increased its capital fourfold since the EFTA countries set it up. By reducing the rate of interest paid on its loans, the Fund has been able to encourage investment in environmentally friendly projects, as well as in projects that have an educational dimension or stimulate the creation of jobs in less developed areas.

In total the Fund has approved loans amounting to 368 million US dollars and contributed to the creation of almost 9,000 jobs.

The demand for loans has increased considerably in the past few years, partly as a result of the improved lending conditions.

Czechoslovakia, Hungary, Poland and Yugoslavia

EFTA's relations with countries outside the Community took on a more structured dimension following the Ministerial Meeting in

Gothenburg, when, on 13 June 1990, Declarations on co-operation were signed with Hungary, Poland and Czechoslovakia. Among other things, the "Gothenburg Declarations" foresee the joint examination of conditions for gradually establishing free trade areas. Although the Declaration signed with Yugoslavia in Bergen in 1983, does not foresee such a possibility, a common understanding was reached to jointly examine the conditions to be fulfilled for gradually establishing a free trade area with that country as well.

In accordance with the Gothenburg Declarations and the understanding reached with Yugoslavia, co-operation can roughly be divided into two "baskets": examination of conditions for gradually establishing a free trade area and technical co-operation.

Joint committees have been set up to review and implement cooperation under all aspects of the Declarations. At their meetings in the latter part of 1990 the joint committees examined areas for cooperation, exchanged views on the reform process in the three East European countries involved, and their progress towards a market economy. This was done with a view to establishing the conditions necessary for the functioning of a free trade area. The joint committees also discussed ways of jointly examining these conditions.

Special sub-committees were set up in order to examine the framework for and to negotiate the contractual elements of a free trade area. Discussions in the various sub-committees began towards the end of the year, and took place in a constructive and co-operative atmosphere.

The technical co-operation outlined in the Gothenburg and Bergen Declarations is in no way intended to be a substitute for the co-operation already taking place bilaterally between individual EFTA countries and these four countries, or to duplicate work done in other fora. The intention is to concentrate on those areas of specific EFTA competence, where multilateral EFTA action would be more efficient, for example, in assisting the different countries to develop the conditions necessary for the setting up a free trade area.

In this context, preparations began in 1990 for seminars and workshops in, among other fields, those of technical barriers to trade, statistics and customs and origin matters. An EFTA-Yugoslav statistical seminar was held in Milocer in the autumn of 1990. It was intended to establish the need and appropriate forms for further

co-operation in statistics. Study visits to the EFTA Secretariat form an important background to the co-operation, as they allow experts from the partner countries to familiarize themselves with EFTA and its work.

EFTA Development Fund for Yugoslavia

1990 saw the completion of preliminary work towards the establishment of a development fund for Yugoslavia. The fund, agreed upon by the EFTA Council in 1989, must be ratified by all the EFTA countries and Yugoslavia before becoming operational. Also, by the end of 1990 five EFTA countries and the Yugoslav Parliament had already formally ratified its statutes. The fund is expected to begin operation in 1991.

The EFTA countries and Liechtenstein will jointly contribute the sum of 100 million US dollars to the fund over a period of several years.

The fund aims at supporting investment in small and mediumsized firms in Yugoslavia and in assisting that country in its efforts to establish a market economy. The fund will also offer favourable financing possibilities for projects, studies and educational projects. Its purpose is thus to realise further the co-operation embodied in the Bergen declaration adopted by the EFTA countries and Yugoslavia in 1983.

Relations with Other Countries

On the basis of the mandate given by EFTA Ministers in November 1988 and June 1989, an EFTA ad hoc working group on relations with Turkey, Israel and the Gulf Co-operation Council (GCC) countries was established. Its first regular meeting took place in September 1989.

This group of EFTA trade experts discussed, among other questions, the possibility of concluding an interim agreement leading to a free trade area with Turkey. The EFTA Heads of Government and Ministers had already, in 1977, declared their readiness to conclude interim free trade agreements with European market economies that aimed at membership to the EC. Turkey was the only European member of the OECD which, was not formally part of the process aiming at a European Economic Area (EEA) by 1993.

The Turkish decision to continue, as from 1988, the dismantlement of tariffs under the EC-Turkey Association Agreement of 1963 and its Additional Protocol of 1970, would lead to increased trade discrimination against EFTA exporters.

As agreed by EFTA Ministers at their December meeting in 1989, EFTA representatives were sent on an informal fact-finding mission to Turkey in February 1990. The Turkish side was informed that EFTA countries were interested in engaging in exploratory talks with the Turkish authorities, leading towards the creation of a free trade area, on a reciprocal basis and in accordance with the GATT, covering industrial goods.

The first round of exploratory talks between the EFTA countries and Turkey began in June 1990 in Geneva. A second meeting was held in Istanbul in October 1990 and a third took place in Geneva in November of the same year.

An EFTA draft proposal for a free trade agreement was presented to the Turkish side in September 1990. Turkey presented its own version of the draft agreement before the third meeting in November 1990. Both EFTA and Turkey have expressed their intention of concluding a free trade agreement during 1991.

At the request of EFTA Ministers, the Secretariat, in 1990, undertook to study EFTA's trade relations with Israel and the implications of concluding a free trade agreement with that country. The study also addressed aspects of trade with the West Bank and Gaza. Trade issues with other non-European Mediterranean countries and the GCC countries were also examined.

An informal meeting took place at the technical level in January 1991 between representatives of Israel and the EFTA countries. The meeting allowed the two sides to exchange views on matters closely related to trade.

The EFTA Ministers agreed in March 1991 to give a favourable response to Israel's request for initiating negotiations on a free trade area in full conformity with the Article XXIV of the GATT.

In the light of the economic importance of the Gulf region and the trade relations being established between the EC and the Gulf Co-operation Council (GCC), the EFTA countries have decided to further examine their relations with the GCC countries.

With the encouragement of Ministers, the Secretary-General of EFTA accepted an invitation of the Secretary-General of the GCC to visit Riyadh in March 1990. The GCC Secretariat was offered advice and assistance by the EFTA Secretariat in matters relating to free trade agreements. The GCC Secretary-General was also invited to visit Geneva.

The EFTA Ministers agreed in March 1991 to initiate further contacts with the responsible authorities of the GCC with a view to exploring the feasibility of starting negotiations with these countries on a free trade agreement. Due account should be taken of the ongoing negotiations between these countries and the EC.

Relations with Other International Organizations

Progress reports on EFTA's activities were presented at the May meeting of the Committee of Ministers of the Council of Europe. In November an inter-secretariat meeting between the EFTA Secretariat and the Council of Europe, whose delegation was led by the Deputy Secretary-General, Gaetano Adinolfi, was held in Geneva. Staff members of the EFTA Secretariat participated as observers in various committee meetings and colloquia organized by the Council of Europe.

The Deputy Secretary-General of EFTA was present at the annual session of the Nordic Council in Reykjavik in February, where he met the Secretaries-General of both the Nordic Council and the Nordic Council of Ministers. In April the Deputy Secretary-General led an inter-secretariat meeting with the Secretariat of the Nordic Council of Ministers in Copenhagen. In September, an inter-secretariat meeting was held in Stockholm with the Secretariat of the Nordic Council of Ministers in Copenhagen also attended that meeting. The Chairman of the Committee of Members of Parliament of the EFTA countries participated in the seminar of the Nordic Council on the role of parliamentarians in European Integration, in Denmark in November. The Deputy Secretary-General of EFTA received the deputies of the Nordic Council of Ministers in December at EFTA headquarters in Geneva.

The EFTA countries used the framework of EFTA for consultation on matters of common interest that were under discussion in other

international organizations. Particular attention was given, to activities in the context of the Organization for Economic Cooperation and Development (OECD), the United Nations Economic Committee for Europe (ECE) and the General Agreement on Tariffs and Trade (GATT).

FUNCTIONING OF EFTA

The Council

The Council is the governing body of the Association. It is composed of one representative of each member state. It meets several times each month at the level of officials (Heads of Permanent Delegations to EFTA) and twice a year at Ministerial level. When the Council deals with certain business concerning the EFTA Industrial Development Fund for Portugal, that country is also represented.

The Council met twenty-nine times in the course of 1990. In the first half of the year Sweden had the chairmanship; it was succeeded by Switzerland.

Two formal Ministerial Meetings were held: one in Gothenburg in June and one in Geneva in December. In addition, Ministers also held two informal meetings in Geneva.

Other meetings took place at Ministerial level. The first was in Geneva in April, in the company of the Federal Secretary for Foreign Economic Relations of Yugoslavia, to establish the EFTA Development Fund for Yugoslavia (subject to necessary ratification procedures). The second was in Gothenburg in June, with representatives of the Czechoslovak Hungarian, Polish and Governments, to sign Declarations on co-operation with those countries.

The Standing Committees

In addition to their regular functions, the Standing Committees played an important role in the EEA negotiations, and some functioned primarily as expert groups of the negotiating groups.

Economic Committee

The Economic Committee examines the economic situation and prospects in member countries, advises the Council on economic, monetary and financial issues, assists the HLNG in matters related to economic and monetary policy co-operation and is the forum for consultation with the EC Commission (Directorate General II) on a broad range of economic matters. Two major studies were commissioned by the Committee in 1990: the impact of the single market on financial sectors in the EFTA countries was analyzed and summarized in EFTA's Occasional Paper no. 33; and a study of the impact of the single market on industry in the EFTA countries was carried out by a sub-group of the Economic Committee. The results of the latter study will be published in 1991.

The Economic Committee organized a symposium in connection with its November meeting, to mark the 30th anniversary of EFTA. The proceedings of the symposium will be published under the title "EFTA Countries in a Changing Europe" in 1991. The Economic Committee met representatives of the EC Commission services twice in 1990, to consult on the economic situation within the framework of the follow-up to the Luxembourg Declaration of 1984. A new event taking place in 1990 was the first, informal, meeting with representatives from Central and East European countries, which was aimed at paving the way for regular meetings in the future for the exchange of economic information.

Committee of Trade Experts

The Committee of Trade Experts met twice in 1990 and discussed export restrictions, government aid, public procurement, price compensation issues and basic EEA provisions relating to the free movement of goods. Since March 1990 experts in the various subjects have met outside the framework of the Committee as informal expert groups of EFTA NG I.

Committee of Origin and Custom Experts

The Committee of Origin and Custom Experts continued to deal with matters related to the application of the rules of origin, as well as with the possibilities of simplifying these rules. The Committee devoted much time to the EEA negotiations by working out proposals on simplifying origin rules and facilitating and harmonizing border controls and formalities. It was also involved in the

preparation of origin rules for future free trade agreements with Central and East European countries and Turkey. An ad-hoc group of experts dealt with a possible EFTA-EC arrangement regarding mutual assistance in customs matters. In the light of the EEA negotiations, the ad-hoc group on indirect taxation was revived to deal with customs regulations (concerning temporary admission, removals and traveller allowances).

Committee on Technical Barriers to Trade

The Committee on Technical Barriers to Trade continued to deal with the development of EFTA policies and activities in all matters related to technical barriers to trade. Most of its efforts were devoted to assisting NG I in questions relating to the acquis communautaire, its relevance and acceptability to the EFTA countries. The expert groups established by the Committee also participated in the EEA process by assisting it in the relevant fields.

The Expert Groups

Group of Legal Experts

The Group of Legal Experts held 20 meetings in 1990. Throughout the year the group concentrated on preparations for and then the actual progress of the EEA negotiations. The group thus mainly assisted EFTA NG V in most of the subjects dealt with by that group. In particular, it carried out work pertaining to the surveillance of the EEA treaty and on ways to integrate the relevant acquis communautaire into the EEA treaty.

Group of Experts on Trade Facilitation

The Group of Experts on Trade Facilitation held six meetings in 1990, of which five were followed by meetings with the EC Commission, Directorate-General (DG) XIII and DG XXI. The main subjects dealt with were: EFTA participation in the TEDIS programme; UN/EDIFACT process; and EEA negotiations. Since 1989 the EFTA countries have been associated with the EC programme on TEDIS through bilateral agreements. The group has followed up the work on phase I and made preparations for phase II of the programme, which is expected to start on 1 July 1991. Through the UN/EDIFACT process the group has contributed to the

work on standardization of electronic messages on a global basis. The EFTA Secretariat provides two staff members for the Western European EDIFACT Board Secretariat, which is supported by DG XIII of the EC Commission.

The Consultative Committee

The main themes dealt with by the Consultative Committee, during the period under review, naturally concerned the EEA negotiations, including the Committee's own role in the future EEA, and relations with Central and East European countries.

The Committee held five meetings. Two were held in the presence of the EFTA Ministers, and one joint meeting with the Economic and Social Committee of the EC in June, in Gothenburg, Sweden. At all these meetings, the Committee was briefed on the state of the negotiations. The Committee addressed several statements to Ministers, some of which were jointly formulated with its EC counterpart. Thus, in June 1990, the social partners expressed their interest in the rapid conclusion of the EEA negotiations and in the consequent strengthening of EFTA as an organization. Together with the EC's Economic and Social Committee, it formulated a demand that the EEA treaty must also comprise social aspects and that the social partners wished to play an advisory role in the future EEA. A further statement contained the social partners' views on how they could contribute to develop relations with Central and East European countries, including the organization of a seminar on industrial/labour relations. In November the social partners reiterated their demand for the rapid conclusion of the EEA negotiations, as uncertainties created by the delay ran counter to the interests of economic agents in the member countries, and that economic integration must have a social dimension.

In December the Committee acquainted the Ministers with its views on competition rules and foreign ownership and establishment, which had been worked out by ad hoc working groups set up to that end.

The Economic and Social Sub-Committee of the Consultative Committee developed preliminary ideas on the functioning and role of a joint social organ in the EEA. This sub-committee then began to

study the possible effect of the EEA and developments in Eastern Europe on the labour market.

The Sub-Committee on Consumer Policy held two meetings in 1990. The Sub-Committee prepared guide-lines for the regulation of electronic funds transfer systems as well as a document on consumer involvement in standardization. The change of status and composition of the Sub-Committee was discussed in various fora within EFTA.

The Committee of Members of Parliament

During 1990, the Committee of Members of Parliament continued to review the EEA negotiations according to the new consultation procedure agreed to by the EFTA Ministers at their meeting on 11 and 12 December 1989.

The Committee held two joint meetings with the EFTA Ministers during the Swedish chairmanship of the EFTA Council. The first took place in April, in conjunction with an informal Ministerial Meeting in Geneva, while the second took place in Gothenburg, in June, on the occasion of the Ministerial and summit meetings which marked EFTA's 30th anniversary as an organization.

In view of the Gothenburg Declarations, which were signed soon afterwards, the Committee for the first time invited delegations from parliaments in several Central and East European countries to its annual session in Vienna in May 1990. Parliamentarians from Czechoslovakia, East Germany, Hungary, Poland and Yugoslavia attended the meeting, which was immediately followed by a joint seminar with these delegations and a delegation of the European Parliament which was led by the Chairman of the Committee on External Economic Relations (REX Committee), Willy de Clercq. In addition to the seminar, the Committee held a joint meeting with the delegation of the European Parliament to discuss the forthcoming EEA negotiations.

The Committee created an Agenda Committee, in which up to two members of each national delegation can participate. The task of the agenda committee is to prepare meetings of the Committee and opinions and recommendations to be adopted. A delegation of EFTA parliamentarians and the Secretary-General of EFTA visited the Hungarian Parliament in May. They met the speaker of the Hungarian Parliament, György Szapad, members of its committees on foreign and economic affairs and Bela Kadar, the Minister for International Economic Affairs.

In July the Presidium of the Committee visited Strasbourg and met leaders of the main political groups in the European Parliament. The purpose of the visit was to discover how these groups viewed the EEA and to promote the creation of a joint EEA parliamentary body. The members of the Presidium met Messrs Jean-Pierre Cot, Egon Klepoch, Valéry Giscard d'Estaing, Alexander Langer, Luigi Alberto Colajanni and Sir Christopher Prout.

The third joint meeting with EFTA Ministers took place in Geneva in October during the Swiss chairmanship of the Association. The fifth joint meeting with the REX Committee was held in November in Luxembourg. Representatives of the delegations of the European Parliament for the individual EFTA countries also attended the meeting, as did representatives of the Nordic Council.

The chairman and secretary of the Committee were invited to the "Assises Parlementaire" of the European Community in Rome in the beginning of November. The "Assises" brought together members of the European Parliament and members of the national parliaments of the EC countries. The chairman of the EFTA parliamentary committee was a guest speaker at a seminar on the role of parliamentarians in European integration, which was organized by the Nordic Council and held in Denmark in mid-November.

The fourth joint meeting of the Committee with EFTA Ministers was held together with the Consultative Committee in conjunction with the Ministerial Meeting that took place in Geneva in December.

The Secretariat

The Secretariat was reinforced during 1990, in order to meet the demands of the EEA negotiations. Additional staff was also hired towards the end of the year to service the free trade negotiations with countries other than those of the EC. By the end of December there were 80 staff members in the professional category and 60 in the general service category in the Secretariat.

EFTA Brussels Office

The increase in EFTA's activities in Brussels, and in particular the opening of formal negotiations with the EC on the establishment of the EEA, entailed a considerable increase in the need for meeting and office space. The Council therefore decided to rent a larger building in Brussels. The new EFTA offices, which were formally inaugurated by the Swiss Federal Councillor Jean-Pascal Delamuraz on 17 July 1990, include five meeting rooms, seven offices for permanent staff and five offices for visiting staff.

In 1990 the Brussels office hosted a considerable number of meetings related to the EEA negotiations. Internal EFTA meetings were held there before every joint EFTA-EC meeting of the High Level Negotiating Group or of one of the five individual negotiating groups. The Brussels office also hosted meetings of sub-groups and expert groups related to the EEA and Luxembourg processes. The EFTA Ministers also used the new premises for an informal preparatory meeting before their joint meeting with EC Ministers on 19 December. In all, the number of meetings taking place in the Brussels office more than tripled during 1990.

Besides assisting staff members of the EFTA Secretariat on mission from Geneva, delegates from EFTA member states and missions of the EFTA countries in Brussels in connection with the EEA negotiations; the Brussels office has increasingly become involved in presenting information to journalists and groups of visitors on EFTA and its relations with the EC.

The number of EFTA staff based in Brussels increased by one post in the professional category in 1990 and by three posts in the general service category. At the end of December three persons were employed in the professional category and seven as general service staff, of which four were employed on a part-time basis.

Finance

EFTA's net expenditure for the financial year 1989-1990 was 23,240,950 Swiss francs. For the current financial year, which began on 1 July 1990, the Council set a budget of 29,167,000 Swiss francs. The ongoing negotiations with the EC have, however, placed increasing demands on the resources of the Secretariat and

the Budget Committee hence requested that a supplementary budget of 3-4 million Swiss francs be presented to finance the present scale of activities. The expenditure for the current financial year is thus expected to increase by forty per cent over the previous one.

The size of contributions by individual EFTA countries to the budget is determined by the relative size of their gross national products at factor costs. The basis for contributions to the budgets for 1989-1990 and 1990-1991 was as follows, in percentages:

Contributions by individual EFTA countries

1989-1990	1990-1991
29.40	29.48
24.62	24.83
17.44	17.59
13.67	13.79
13.16	12.59
1.71	1.71
	29.40 24.62 17.44 13.67 13.16

APPENDIX

Message to the EC on the negotiation of an EES treaty adopted by EFTA Ministers

Geneva, 3 April 1990

- 1. We, the EFTA Ministers, met in Geneva on 3 April and discussed the creation of the European Economic Space and evaluated the results of exploratory talks between High Officials from the EFTA countries and the EC Commission.
- 2. We welcome the successful conclusion of the exploratory talks during January-March 1990. We have concluded that sufficient common ground and clarity now exist concerning the scope, content and form of a future EES treaty. We therefore declare ourselves ready to start, without delay, formal negotiations with the European Community on an EES treaty.
- 3. We reaffirm our strong political commitment to the creation of a European Economic Space. We are convinced that the EC and EFTA countries working as partners in a comprehensive EES agreement will be able to enhance the economic prosperity, social development and cultural dimensions of Europe. Together, we would also be better placed to deal with environmental questions, to help reduce social and economic disparities, as well as to pool resources in areas of common interest. Such joint efforts would strengthen Europe's place in the world.
- 4. Collaboration within the EES should strengthen our common capacity to offer support and inspiration to the new democracies in Europe and provide a basis for enhanced European co-operation.
- 5. The EES treaty should be broad and comprehensive and should, as jointly defined by EFTA and EC Ministers on 19 December, achieve the free movement of goods, services, capital and persons, as well as strengthen and broaden co-operation on an

equal footing in flanking and horizontal policies, such as environment, research and development, education and social policy. In some areas, exceptions justified by considerations of fundamental interests, or transitional arrangements, will be called for. The EES should also ensure equal conditions of competition and non-discrimination, as well as the application, where appropriate, of other basic principles, such as Cassis de Dijon and national treatment.

- 6. The relevant EC legislation (acquis communautaire), to be integrated in one way or another into the EES treaty as the common legal basis, has been broadly identified and would, in principle and without prejudice to future negotiations, be acceptable. In view of the important role played by committees for the management and development of the Community acquis, a satisfactory solution will have to be found in the EES context concerning EFTA participation before the EFTA countries can take a final position on the acquis.
- 7. EES co-operation should be based on high standards concerning health, safety, environmental protection and consumer protection. In this respect, the EFTA countries wish to retain the higher standards they have set in certain fields, applicable to domestic and imported goods alike. The general European trends should facilitate finding ways of reconciling such high standards with the free movement of goods.
- 8. There is an obvious link between the substantive areas of cooperation and the legal and institutional aspects. The vast scope of rights and obligations in the EES, the preservation of EES homogeneity and the equally effective application of rules require that a firm legal and institutional basis is established.
- 9. We reaffirm that the establishment of a genuine joint decision-making mechanism in substance and form is a basic prerequisite for the political acceptability and the legal effectiveness of an agreement. For the decision-making process a joint EES body would be set up. Both sides should have the right to launch initiatives. The process would ensure that the views of each side are taken into account before any final decisions on EES relevant matters are taken on either side, thus ensuring that neither side is presented with a fait accompli.
- 10. In order to facilitate the reaching of joint decisions and preserve the homogeneity of the EES, we are in favour of EES

groups composed of representatives from all 19 EES countries at an early stage in the decision-shaping process. The possibility for the 19 countries to participate individually up to the end of the decision-shaping phase should also be provided for. The EFTA States will, in principle, speak with one voice when the Community, through the Commission or the Presidency, presents EC positions.

- 11. If a joint decision could not be achieved within a given timelimit, the Contracting Parties would be free to proceed according to their own procedures, the decision-making autonomy of the Contracting Parties being safeguarded in this way.
- 12. We reaffirm our commitment to equally strong and reliable surveillance and enforcement procedures. In order to ensure the proper functioning of EES rules, we consider that an EES judicial body should be established with comprehensive and exclusive competence in EES matters.
- 13. A common body for EFTA parliamentarians and representatives of the European Parliament, as well as arrangements for the social partners, should be foreseen.
- 14. Recalling that the EFTA countries have spoken with one voice during the high-level talks, we state our intention to continue to do so during the negotiations. As regards the role of EFTA in the future EES, we confirm that EFTA's structures will be strengthened as required by the joint solutions developed in the new process.
- 15. We are ready to include Liechtenstein as a party to the negotiations with a view to that country becoming a Contacting Party on the EFTA side.
- 16. We take this opportunity to reiterate our strong support for the Uruguay Round and underline the complementary and mutually reinforcing nature of the Uruguay Round and the creation of a dynamic and homogeneous European Economic Space open to the world.
- 17. In order not to lose momentum, our aim continues to be that we should have an outline of an agreement around the middle of this year and to conclude the negotiations before the end of 1990. We therefore express the hope that the Community will be able to proceed rapidly to formal negotiations.

Ministerial meeting of the EFTA Council and meeting of EFTA Heads of Government

Gothenburg, 13 and 14 June 1990

DECLARATION

Europe is changing, a new architecture is being put in place, and new responsibilities are being assumed. Affirming the determination of the EFTA countries to make a significant contribution to these developments, the Heads of Government of the EFTA countries and the EFTA Council at Ministerial level met in Gothenburg, Sweden, on 13 and 14 June 1990 on the occasion of the celebration of the 30th Anniversary of the European Free Trade Association and issued the following Declaration.

- 1. We, the Heads of Government and Ministers, welcome the profound changes taking place in Europe and the new and challenging opportunities for the establishment of closer bonds built on common values and mutual understanding, which will promote a Europe characterized by peace, democracy, prosperity and justice. The realization of the Internal Market and the further development of the European Community, the establishment of a close and wideranging EFTA-EC partnership within a dynamic and homogeneous European Economic Space and the move in Eastern Europe towards democracy, prosperity and justice represent historic steps towards a new Europe.
- 2. We note with pride the achievements of EFTA during its 30 years, contributing to the prosperity, stability and economic growth of the Member countries, not least through flourishing trade based on the dismantling of barriers both among EFTA Member countries as well as between them and the European Community. We recall the evolution of EFTA from the establishment of free trade in industrial goods among its Member countries in 1966, followed by the Free Trade Agreements between the EFTA countries and the EC in the early seventies, creating the world's largest free trade area, leading to the Luxembourg Declaration adopted in 1984 by

EFTA and EC Ministers extending co-operation between these two partners beyond trade and pointing the way towards the creation of a dynamic European Economic Space.

- 3. We are now on the verge of taking a new step forward in the integration of Europe by forging a close and structured partnership with the EC, as envisaged in our Oslo Summit Declaration. We expect to start in the immediate future negotiations, following the adoption by the EC Council of an EC negotiating mandate. The EFTA countries have made their aims and positions clear for these negotiations both with regard to substantive issues and legal and institutional aspects.
- 4. The EES treaty should be broad and comprehensive and should, as jointly defined by EFTA and EC Ministers on 19 December, achieve the free movement of goods, services, capital and persons, as well as strengthen and broaden co-operation on an equal footing in flanking and horizontal policies, such as environment, research and development, education and social policy. In some areas, exceptions justified by considerations of fundamental interests, or transitional arrangements, will be called for.
- 5. We note that the relevant EC legislation to be integrated in one way or another into the EES Treaty as the common legal basis has been broadly identified and would, in principle and without prejudice to the negotiations, be acceptable. A satisfactory solution will have to be found to the question of joint management and development of EES legislation before the EFTA countries can take a final position on the integration of the relevant EC legislation as the common legal basis for the EES.
- 6. An appropriate legal and institutional framework will be required in order to safeguard the homogeneity of the EES and to exploit its potential mutual benefits. Such a framework should provide for the right of both sides to launch EES initiatives, for joint shaping of EES rules and joint decisions thereon, as well as for equally strong and reliable surveillance and enforcement procedures throughout the EES and a joint judicial body with comprehensive and exclusive competence in EES matters.

The establishment of a genuine joint decision-making mechanism in substance and form is a basic prerequisite for the political acceptability and legal effectiveness of an agreement. We are

convinced that arrangements to that effect can be reconciled with the need to safeguard the decision-making autonomy of each party. The institutional arrangement should ensure that neither side is presented with a fait accompli and provide for an appropriate participation of the 19 countries concerned and the EC Commission. In this context, we confirm our interest in conducting within the EES a dialogue with the European Community also at the Ministerial level.

- 7. The EFTA countries have presented common positions with one voice throughout the high-level talks, and will continue to do so during the negotiations. Regarding the institutional role of EFTA in a future EES, we reaffirm our commitment in the Oslo Declaration to strengthen EFTA's structures as required by the joint solutions developed in the new process.
- 8. We recall the decision of EFTA and EC Ministers of 19 December 1989 to commence formal negotiations in the first half of 1990 and to conclude them as rapidly as possible. We reaffirm our aim that negotiations should be concluded within the year and that the entry into force of the resulting treaty should be set for 1 January 1993.
- 9. We stress the importance of continued co-operation on the basis of the Luxembourg Declaration of 1984, in order to provide for concrete and early results in some areas of co-operation, and in order to provide important input for the negotiations on an EES agreement.
- 10. The creation of the EES is of profound importance for the vitality of Europe and for the realization of its significant potential. Working together as partners, the EC and the EFTA countries would be able to enhance the prosperity, social development and cultural dimensions of Europe for the benefit of all its citizens. Together, they would also be better placed to deal with environmental concerns, as well as with the reduction of social and economic disparities between regions.
- 11. We warmly welcome the commitments made by the newly emerging democracies in Europe to political pluralism, rule of law, respect for human rights and the establishment of a market economy. We pledge our willingness to contribute actively to the consolidation of these developments and to the restructuring of the economies concerned. We express the view that a closer

partnership between the EC and EFTA within an EES would be of great political importance for the reshaping of the European architecture and would strengthen the common capacity to offer inspiration and support to the new democracies of Europe.

- 12. We stress the importance of the conclusion of declarations on co-operation between the EFTA countries and the Republic of Hungary, the Republic of Poland and the Czech and Slovak Federal Republic covering such areas as trade, economic, industrial, technical and scientific co-operation, tourism, transport and environmental protection. These declarations, and the similar Bergen Declaration concluded with Yugoslavia in 1983, will play an important role in the intensification and further evolution of the relations between the EFTA countries and the countries concerned. Close contacts between the European Community and the EFTA countries would be important in these endeavours.
- 13. We note that exploratory talks between the EFTA countries and Turkey on the possibilities for concluding a free trade agreement will soon be initiated. We are prepared to consider appropriate steps in regard to other markets where we experience significant discrimination.
- 14. The Uruguay Round to be concluded in December this year is now entering its final phase. We reaffirm our commitment to make every effort to contribute to a successful outcome of the Round which should improve access to markets, strengthen and reform existing rules and disciplines, extend the GATT system to the new areas under negotiation as well as lay a foundation for the further strengthening of the multilateral trading system based on contractual rights and obligations. Substantive results in all these areas will lead to an improved and modernized GATT strong enough to resist protectionism, unilateralism and other tendencies which erode the rule-based multilateral system. We also underline the complementary and mutually reinforcing nature of the Uruguay Round and the creation of the European Economic Space open to the world.

Joint conclusions of the meeting between EFTA Ministers and Frans Andriessen, Vice-president of the EC Commission

Gothenburg, 14 June 1990

- 1. The Ministers of the EFTA countries and Mr Frans Andriessen, Vice-president of the Commission of the European Communities, met under the presidency of Mrs. Anita Gradin, Minister of Foreign Trade of Sweden, in Gothenburg, Sweden, on 14 June 1990 to review the state of relations between the Community and the EFTA countries. Mr Georg Reisch, Secretary-General of EFTA, also attended the meeting.
- 2. On the occasion of the 30th anniversary of EFTA, the Ministers and Mr Andriessen recalled the Free Trade Agreements from the early seventies as well as the Luxembourg Declaration of 1984 and reaffirmed the special relationship between the EC and EFTA. They expressed satisfaction with the dynamic development of trade and economic co-operation, recalling that the EC and EFTA are each other's largest trading partner, and underlined the importance of strengthening the relations further with a view to creating a dynamic and homogeneous European Economic Space. They stressed that economic interdependence between open market economies forming the world's largest free trade area is only one of many important elements in the relations between the Community and the EFTA countries. The Ministers and Mr Andriessen recalled that the EC and EFTA countries are also attached to the same values of democracy, human rights and social justice and that they have a common responsibility for the future of Europe as a whole.
- 3. The EFTA Ministers and Mr Andriessen recalled the Declaration adopted at the Ministerial Meeting between the European Community, its member states and the EFTA countries on 19 December 1989 and the decision to commence formal negotiations in the first half of 1990 for a comprehensive agreement to define a more structured framework for co-operation between the

Community and the EFTA countries. They noted with satisfaction the successful conclusion of the subsequent exploratory talks which had taken place between January and March 1990 and which had permitted a sufficient clarification to be achieved of the possible scope, content and form of a future EES treaty. They stressed their common objective of seeking an expanded and more structured partnership with appropriate procedures for the management and development of the EES treaty and expected that formal negotiations would be launched shortly. They reaffirmed the intention to aim for an early conclusion of these negotiations leading to an entry into force of the EES treaty by 1 January 1993 simultaneously with the completion of the EC Single Market.

- 4. The Ministers and Mr Andriessen also reaffirmed the importance that they attach to the present co-operation pursuant to the Luxembourg Declaration. In the light of the joint conclusions of the 12th meeting of High Officials from EFTA countries and the EC Commission on 7 June 1990 and of progress achieved so far, they agreed that there seem to be good prospects for early, concrete results as regards i.e..:
- participation of the EFTA countries in ERASMUS,
- participation of the EFTA countries in the European Environmental Agency, where the necessary procedures to allow negotiations to be opened could be set in hand once the decision establishing the Agency has entered into force,
- a strengthening of the co-operation in research and development through participation of the EFTA countries in the third framework programme,
- mutual recognition in the field of testing and certification in certain sectors.
- 5. The Ministers and Vice-president Andriessen reviewed the developments in Central and Eastern Europe and reiterated their support of the reform process in these countries. They stressed the importance of the co-operation within the Group of 24 and recalled that the EFTA countries, the European Community and its member states had all joined the European Bank for Re-construction and Development. The Ministers and Mr Andriessen expressed their common conviction that the Community and the EFTA countries, acting together as partners in the European Economic Space, will be better placed to support in a coherent and efficient way the reform

process in Central and Eastern Europe. They agreed that recent events in Europe at large added a new and important dimension to their co-operation and, in particular, to their present efforts to establish the European Economic Space.

6. The Ministers and Mr Andriessen were convinced that the European Economic Space would be an important element in the open world trade system. They reaffirmed in this context their full commitment to an open multilateral trading system and to the reinforcement of the rules and disciplines of the GATT and emphasized the importance of a successful conclusion of the final phase of the Uruguay Round in Brussels.

Message from EFTA Ministers to the EC on the negotiation of the EEA Treaty

Geneva, 23 October 1990

- 1. We, the Minister of the EFTA countries, met in Geneva on 23 October 1990 and evaluated the current situation of the negotiations between the EFTA countries and the European Community on the establishment of the European Economic Area (EEA).
- 2. We confirm our strong political commitment to the creation of the EEA. It will constitute an important element of the future European architecture. As partners in a comprehensive EEA treaty, the EC and EFTA countries will be able to enhance ecologically sustainable economic growth, social development and the stability of Europe. The EFTA countries are also contributing to these ends by actions with regard to countries of East and Central Europe, bilaterally, multilaterally, and at the EFTA level through the implementation of the Declarations on co-operation with some of these countries, including talks on gradually establishing free trade.
- 3. We reaffirm our commitment to the common aim of achieving a broad and comprehensive EEA treaty which should enter into force on 1 January 1993. In order to achieve this objective and to maintain the momentum and confidence in the negotiations, agreement should be reached on the major questions of the negotiations before the end of the year. We are convinced that with the necessary flexibility and pragmatism on all sides, a political breakthrough can be found securing a balanced and mutually acceptable solution.
- 4. In order to facilitate such a breakthrough we recognize the need to reduce to a minimum the number of derogations, expecting that in turn the Community shall accept legal and institutional arrangements allowing for a common management and development of the European Economic Area, in particular a genuine common decision-making mechanism. For there is, between substance and institutions, an inextricable link and a balance still to be found which

has to correspond to the broad scope of our future co-operation on equal footing. The EFTA countries, together with the EC, are engaged in a dynamic and lasting integration process which hence, in order to be politically credible and acceptable, must be based on partnership and equity.

5. We have instructed our negotiators to intensify their work and to make every effort to prepare for a political breakthrough in the negotiations before the end of this year. In this context we would welcome a joint Ministerial Meeting in December. It is essential to conclude the negotiations during the spring of 1991, so as to allow for an entering into force of the EEA treaty on 1 January 1993.

Ministerial Meeting of the EFTA Council

Geneva, 13 and 14 December 1990

COMMUNIQUE

- 1. Ministers of the EFTA countries met in Geneva on 13 and 14 December 1990 under the chairmanship of Mr Jean-Pascal Delamuraz, Federal Councillor, Head of the Department of Public Economy, Switzerland.
- 2. Ministers assessed the situation in Europe against the background of the dramatic changes which have occurred in the last year. Ministers reaffirmed their strong commitment to the establishment of the European Economic Area (EEA) and underlined its political importance and the mutual economic advantages that would result from its creation. They expressed the conviction that the EEA would have a significant role to play in a new Europe emerging as a result of the extension of democracy and the adoption of market economy principles, the further integration of the European Community and the unification of Germany. They noted the significance of the CSCE in this context.
- 3. Ministers reviewed and took stock of the progress achieved in the negotiations between their countries and the European Community on the establishment of the EEA in view of the EFTA-EC Ministerial Meeting to be held on 19 December 1990. In this respect they recalled that the EFTA countries have presented to the Community the elements they regard as essential for the further advancement of the negotiations. Ministers trusted that this effort on the part of the EFTA countries would facilitate the successful conclusion of the negotiations early next year, as foreseen by the EFTA and EC countries when the negotiations were launched.
- 4. They welcomed the holding of a joint Ministerial Meeting on 19 December 1990 as an opportunity to assess together the progress made, to reach a common understanding on important questions and to give further guidance to the negotiators. In this context, Ministers recalled that for the EEA treaty to enter into force

on 1 January 1993, an aim shared with the Community, it was essential to conclude the negotiations during the spring of 1991.

- 5. Ministers underlined that further results should be achieved without delay under the follow-up of the Luxembourg Declaration, and expected that agreement on, inter alia, air traffic and EFTA participation in ERASMUS, BC-NET and the European Environment Agency would soon be reached.
- 6. Ministers noted with satisfaction that co-operation between EFTA and Hungary, Poland and Czechoslovakia under the Joint Declarations signed in Gothenburg last June had started successfully and that discussion on free trade was going on. They also noted that the same procedure had been followed with regard to Yugoslavia. They further took note of a report on the state of the progress made in negotiations with Turkey on the creation of a free trade area. Ministers gave their encouragement to the activities with regard to third countries and expressed the hope that these would bring positive results in the near future.
- 7. They welcomed the support of the Committee of Members of Parliament and the Consultative Committee and agreed on the need to strengthen their respective roles in the context of the establishment of the EEA.
- 8. Ministers took note with interest and sympathy of the intention expressed by the Government of Liechtenstein to apply for full membership of EFTA in the very near future.
- 9. Ministers expressed their concern and disappointment at the failure of the recent Ministerial Meeting in Brussels to bring the Uruguay Round to a successful conclusion. They emphasized the need to safeguard the remarkable potential results achieved in several areas of the negotiations. They expressed their conviction that an early, successful conclusion of the Round is still within reach but that it will require political will, realism and flexibility on the part of all participants. They pledged their for the efforts to re-launch the Round.
- 10. The next Ministerial Meeting will be held on 22 and 23 May 1991 in Vienna.

Ministerial Meeting between the European Community, its Member States and the Countries of the European Free Trade Association

Brussels, 19 December 1990

JOINT DECLARATION

The Ministers of the Member States and the Commission of the European Communities and the Ministers of the Member States of the European Free Trade Association and Liechtenstein met in Brussels on 19 December 1990.

The meeting was chaired, for the Community, by Mr Gianni de Michelis, Minister of Foreign Affairs of Italy, President-in-office of the Council of the European Communities, and for the EFTA countries by Mr Jean-Pascal Delamuraz, Federal Councillor, Chairman of the EFTA Council. The Commission of the European Communities was represented by Mr Jacques Delors, President, and Mr Frans Andriessen, Vice-President. The list of participating Ministers is attached. Mr Georg Reisch, Secretary-General of EFTA, also participated in the meeting.

The Participants agreed on the following Joint Declaration:

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Bearing in mind the political dialogue envisaged at their last joint meeting, they assessed developments in Europe and the ongoing negotiations between the Community and the EFTA countries on an agreement establishing the European Economic Area (EEA).

They underlined that since their last meeting a year ago to the day, Europe has witnessed the most profound transformations in its recent history. The political and economic reforms in Central and Eastern Europe and the unification of Germany have opened, for the first time during this century, the prospect of a new and lasting era of peace, democracy, respect for human rights, economic prosperity

and social justice for all Europeans in the framework of the CSCE process.

In view of the difficult economic situation in the countries of Central and Eastern Europe. Including the Soviet Union, Ministers saw an urgent need for increased solidarity with these countries and their peoples. Ministers agreed to a continuation of joint action within the framework of the "Group of 24" and other fora as well as to close coordination of their efforts to strengthen trade links and co-operation with these countries.

They confirmed the high priority they attach to the privileged relationship between the Community, its Member States and the EFTA countries, which is based on proximity, long-standing common values and European identity. They underlined the important contribution which the EEA as a concrete expression of these relations would make as a building block in the new European architecture. In this context they stressed the significance of further development of the European Community in the interest of Europe as a whole.

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Recalling their joint declaration of December 1989, they therefore reiterated their firm political commitment to the rapid conclusion of a comprehensive EEA agreement based on equality which should ensure the greatest possible mutual interest for the parties concerned as well as the global and balanced character of their cooperation.

Having heard the respective reports on the current state of the negotiations, they noted with satisfaction that considerable progress has been achieved since the launching of the EEA negotiations on 20 June 1990, and welcomed the strong convergence of views already reached on several important issues. They also acknowledged that on other important points, negotiations have not yet sufficiently advanced and that further work is required. They noted that final agreement is dependent on a mutually acceptable solution to all the questions covered by the negotiations, both substantive and institutional, as well as on overall balance of rights and obligations.

They noted with satisfaction that the joint identification of the relevant acquis communautaire to be integrated into the EEA

agreement as a common legal basis for the free movement of goods, services, capital and persons has largely been completed. The identified acquis comprises, in addition to the relevant content of the EEC Treaty, approximately 1400 legal acts. Further efforts were still required to complete the identification of the relevant acquis on some issues. They encouraged their negotiators actively to seek solutions to the outstanding issues.

The necessity for ensuring equal conditions of competition throughout the whole EEA was emphasized. To this end, the EEA competition rules should be based on the relevant articles of the EEC treaty and their application should lead to the same results throughout the EEA. The Ministers noted that the negotiators currently worked on the hypothesis of the establishment of an independent EFTA structure for the application of competition rules, entrusted with equivalent powers and similar functions as those exercised by the EC Commission. For the operation of such a system solutions will have to be negotiated on how to define the respective role of each structure, how to organize the co-operation between them as well as the role of the judicial mechanism.

With regard to problem areas in connection with the application of the acquis, they emphasized the objective to reconcile the ensurance of a high level of protection in the fields of health, safety and the environment with the free circulation of goods. They encouraged negotiators to seek appropriate solutions on a pragmatic case-by-case basis.

Moreover, they underlined the need to make further progress on questions of transport, free movement of persons and of capital; they noted, however, the evolution in the EFTA countries' position concerning the possible withdrawal of requests for permanent derogations and also noted the ongoing bilateral transit negotiations.

They noted at the same time that considerable progress had now been made on the question of safeguard mechanisms and that negotiators were working on the hypothesis that the main characteristics of such safeguard mechanisms should be: unilateral triggering, after notification and consultation with a view to finding a commonly acceptable solution, of proportionate safeguard measures which least disturb the functioning of the agreement, subject to monitoring and judicial procedures, with possibility for proportionate re-balancing measures under equivalent procedures.

They encouraged the negotiators actively to pursue work on these issues.

They noted that in certain areas which were crucial for the global and balanced character of the agreement as well as for ensuring an overall balance of benefits for the parties concerned, major negotiation efforts were still needed. This was in particular the case for fisheries. Further progress was also necessary in the field of agriculture.

With respect to co-operation outside the four freedoms (flanking and horizontal policies), they emphasized that the EEA agreement should provide a firm legal basis for a comprehensive and dynamic co-operation. It should also promote the development of actions of common interest. Ministers emphasized the common objective to preserve, protect and improve the quality of the environment.

They agreed that negotiations should now be actively pursued on adequate ways and means in the context of the EEA to reduce regional economic and social disparities so as to ensure an overall balance of benefits for all contracting parties.

The questions such as steel, energy, anti-dumping rules, rules of origin, remain to considered further.

Recalling that the decision-making autonomy of the parties should be fully respected, and that procedures should be provided for which effectively ensure that their views are taken into account, so as to facilitate the reaching of a consensus in decisions relating to the EEA, they noted that significant progress has been achieved in the field of legal and institutional issues.

It was accepted that there should be equal opportunities for input by experts from the Contracting Parties in the preparation of EC proposals on new legislation on matters relevant to the EEA. The Contracting Parties will, by a continuous information and consultation process in the decision-shaping phase, use their best efforts, after identifying an issue as an EEA matter, to promote, in good faith, a common understanding. During this process they shall have the possibility to raise a matter of concern at any moment and at any level without causing additional delays (droit d'évocation). Decisions at EEA level would be taken by consensus, the EFTA countries speaking with one voice, and have the character of public international law; no transfer of legislative power to the EEA such as

is needed. All Contracting Parties should implement EEA rules in such a manner that, for the sake of homogeneity, they will be effectively applicable at the same time throughout the EEA. Further negotiations will take place on how to deal with the consequences arising if an agreement on new EEA rules cannot be reached.

They furthermore stressed the importance of legal homogeneity of EEA rules, in order that individuals and economic operators should benefit throughout the EEA from EEA rules which produce the same legal results, and from equal conditions and treatment. To this end, they emphasized in particular the crucial importance of equally strong and reliable surveillance and enforcement throughout the whole EEA, comprising an efficient EEA surveillance system and an EEA judicial mechanism.

The institutional set-up of the decision-making process will comprise:

An EEA Council composed of the members of the EC Council, members of the EC Commission and Ministers of the EFTA countries, responsible in particular for:

- the general political guide-lines and impulse;
- the global assessment of the functioning and the development of the agreement, including if necessary the possibility of raising a matter of concern ("droit d'évocation");
- the political decisions leading to the EEA agreement modifications.

An EEA joint body responsible for the implementation and operation of the agreement including the decisions regarding the EEA, to be taken by consensus of the EC on one side and the EFTA countries speaking with one voice on the other side.

They urged their negotiators to settle the other outstanding issues for a comprehensive agreement on the modalities of EEA decision-making. Tasks carried out by EC Committees will also be taken into consideration.

Ministers expressed their desire to see the EEA agreement enter into force on 1 January 1993. In the light of the ratification procedures needed they felt that all efforts should be made to sign the EEA agreement before the summer of 1991. They instructed their negotiators to intensify the negotiations to that end.



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