ANNUAL REPORT

1993

Thirty-third Annual Report of the European Free Trade Association

Geneva, June 1994
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EFTA IN 1993

For two particular reasons, 1993 was a year of transition for EFTA. First, the entry into force of the Agreement on the European Economic Area (EEA), originally foreseen to coincide with the opening of the Single Market of the European Community (EC) on 1 January, was delayed by exactly a year. Second, four EFTA countries began membership negotiations with the EC;\(^1\) Austria, Finland and Sweden in February, followed by Norway in April. Although these negotiations are strictly bilateral and therefore do not constitute a matter for official discussion in EFTA, they naturally influenced the Association's activities over the year. However, as all the candidate countries consider the EEA as well as EFTA's other activities as being fully compatible with - and even conducive to - their membership objective, their commitment to the Association and to the EEA remains undiminished.

Switzerland's commitment to EFTA remains unwavering, even though the country only has observer status in the EFTA internal meetings of the EEA process and is not represented in the two institutions of the EFTA States in the EEA framework, the EFTA Surveillance Authority and the EFTA Court. The third country relations in the framework of EFTA are of particular interest to Switzerland.

The European Economic Area (EEA)

The negative outcome of the vote on the EEA Agreement in Switzerland (see EFTA Annual Report 1992) had several consequences. First, the ratification process that was still ongoing in several EC countries was interrupted (the EFTA countries, with the exception of Liechtenstein, had completed ratification before the Swiss vote). And second, adaptation of the Agreement was rendered necessary. Beyond technical and legal changes - such as the deletion of all references to Switzerland - certain questions of substance had to be resolved. The most important was the redistribution of the contributions of the EFTA States to the Financial Mechanism of the EEA in favour of less developed countries and regions

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\(^1\) As the term European Union (EU) only became official with the entry into force of the Maastricht Treaty on 1 November, this Report refers to the European Community (EC) for events prior to that date.
in the EC, since the beneficiary countries insisted that the loans and grants pledged by EFTA-EEA countries remain unchanged. As Switzerland was to have accounted for 27 per cent of the total, considerable reorganization was required. In addition, some of the southern EC countries asked for compensation for the loss of their agricultural exports to Switzerland. Negotiations between the EFTA-EEA countries parties to the EEA and the EC in January and February led to solutions in both areas: the EFTA side agreed to lower the interest rebates granted by the EFTA countries from 3 to 2 percentage points, and to set their bilateral agricultural agreements with the EC in motion on 15 April, regardless of the date of entry into force of the EEA as a whole. A protocol adjusting the Agreement in all the above respects was signed on 17 March. The text also contained special provisions concerning Liechtenstein. It was stated that the Principality could join the EEA only after adapting its 1923 customs union treaty with Switzerland in a manner compatible with the EEA. Discussions between Liechtenstein and Switzerland to that end started before the summer with a view to meeting the requirements of the EEA while keeping the borders between the two neighbouring countries open. As to Switzerland, the Adjusting Protocol maintains that the country can join the EEA at a later stage if its voters so decide.

The Adjusting Protocol necessitated a second round of ratification in all 17 remaining EEA countries. In those EC countries that had not yet completed ratification of the original Agreement in 1992, ratification of the Protocol was carried out in parallel. Due to delays for reasons independent of the EEA, such as elections in several EC countries, the ratification process took almost the whole of the rest of the year. The last instruments of ratification were deposited just in time to allow the entry into force of the EEA on 1 January 1994, exactly one year later than planned.

However, the delay did not mean that EFTA was inactive in 1993. The Association used the time, among other things, to fine-tune its preparations for the entry into force of the EEA. Monthly meetings of the Interim Standing Committee (ISC) and of the High-Level Interim Group (HLIG) - forums anticipating the future EEA institutions (the Standing Committee of the EFTA States and the EEA Joint Committee) - ensured unbroken contact with the EC and prepared the ground for the EFTA-EEA countries' adoption of EC Single Market acquis since 31 July 1991, the cut-off date contained in the EEA Agreement. This work was practically complete by the end of the year, ready for formal approval at one of the first meetings of the EEA Joint Committee in early 1994.

The other two new EFTA institutions, the EFTA Surveillance Authority and the EFTA Court, also used 1993 to prepare to be immediately operational upon entry into force of the EEA. The Surveillance Authority moved from its temporary seat in Geneva to its headquarters in Brussels and by the end of the year had reached full operational capacity with
about 100 members of staff. The EFTA Court installed its seat in Geneva and, also by year's end, had completed recruitment of its staff of nearly 30. The EFTA Secretariat inaugurated the new premises of its Brussels Office in February, which in the course of the year came to have as many staff as Geneva Headquarters - about 80 persons.

The two EFTA Ministerial Meetings of 1993, held on 16 June in Geneva and on 17 December in Vienna, took stock of developments concerning the EEA as well as of the Association's relations with third countries (see below). The December meeting was followed by a joint meeting of EFTA Ministers with the acting President of the Council of the European Union, Mr. Willy Claes, Minister of Foreign Affairs of Belgium, and Mr. Hans van den Broek, Member of the European Commission in charge of External Political Relations. This meeting took up a tradition dating back to the beginnings of the "Luxembourg process" in the mid-1980s and had special significance on the eve of the entry into force of the EEA.

Third-country relations

During the year under review EFTA further expanded and consolidated its relations with countries outside the EEA. Free trade agreements with Hungary and Bulgaria were initialled at the end of January and the end of February, respectively, and both agreements were signed on 29 March in Geneva in the presence of Mr. Jean-Pascal Delamuraz, Minister for Economy of Switzerland, and of his counterparts from the two countries concerned. The agreement with Bulgaria entered into force on 1 July and the one with Hungary on 1 October. The free trade agreements signed on 10 December 1992 with Romania and Poland also entered into force during 1993, on 1 May and 15 November, respectively. The latter could however only be applied on a provisional basis, as ratification by the Polish parliament was delayed due to anticipated elections in that country.

On 19 April in Geneva, representatives of the EFTA countries, the Czech Republic and the Slovak Republic signed protocols of succession allowing continued application of the free trade agreement signed on 20 March 1992 with the former CSFR. This was necessary after the dissolution of the latter on 1 January 1993. Continuity was thus ensured, and was further underlined by a common meeting of the newly created Joint Committees between EFTA and the two successor republics on 23 and 24 April in St Gallen, Switzerland.

At the end of the year, all eight free trade agreements negotiated by EFTA in 1992 and 1993 were in force, albeit some on a provisional basis. A meeting of the Joint EFTA-Slovenia Committee in Schaan, Liechtenstein, on 2 and 3 November resulted in a decision to start, early in 1994, exploratory talks with a view to the possible conclusion of a free
trade agreement between the EFTA States and that country, in accordance with the relevant article of the Joint Declaration on economic co-operation of May 1992.

The Joint Committees established on the basis of similar Declarations with Albania, Estonia, Latvia and Lithuania, each held their first meeting in 1993. They took place on 23 March in Tirana and from 26 to 28 April consecutively with each of the three Baltic Republics in Stockholm.

The first Joint Committee meeting with Israel, established under the EFTA free trade agreement with that country, was held on 11 and 12 November in Jerusalem.

The second Joint Committee meeting with Turkey, established under the free trade agreement with that country, was held on 22 and 23 November 1993 in Geneva.

Meetings of EFTA and EC Ministers of Finance and Economy

Following the initiative of Norwegian Prime Minister Gro Harlem Brundtland in November 1992, a first joint meeting of EFTA and EC Ministers of Finance and Economy was held on 19 April 1993 in Luxembourg. In the spring months preceding the meeting, representatives of the ministers, assisted by the EFTA Secretariat, prepared a background document highlighting policy actions in the EFTA countries, which, if jointly enacted, would help to restore growth and employment in Europe. The report was presented at the joint Ministerial Meeting.

In the early summer months it was agreed that a follow-up meeting would be held in December 1993. The EC Commission and the Presidency of the EC Council invited the EFTA countries to contribute a document reviewing their policy experiences and suggestions to the EC Commission as input to its own policy-oriented document, the "White Paper on growth, competitiveness, employment". The Austrian chair submitted such a document, prepared by the representatives of the EFTA Ministers, assisted by the EFTA Secretariat, to the ECOFIN Council Presidency on 31 August 1993.

The second joint meeting of EFTA and EU Ministers of Finance and Economy was held on 14 December 1993 in Brussels. In the autumn months preceding the meeting, representatives of the EFTA Ministers, assisted by the EFTA Secretariat, prepared the background document "Reducing unemployment in Europe through increased growth and competitiveness". The report was presented at the joint Ministerial Meeting.
DEVELOPING THE EUROPEAN ECONOMIC AREA

FREE MOVEMENT OF GOODS

The body responsible for free movement of goods continued to be Interim Working Group I (IWG I). The group continued to meet internally and jointly with the Commission Services on a roughly monthly basis and reported regularly to the Interim Standing Committee (ISC) and the High Level Interim Group (HLIG) on the outcome of its discussions and examinations.

Due to the difficult nature of some problems and the on-going process of legislative developments in the EC, the main topics remained on the agenda of IWG I throughout the year. They concerned the incorporation of legislation adopted by the EC after the cut-off date of 31 July 1991, Protocol 3 on processed agricultural products, origin rules, the 7th Shipbuilding Directive and comitology.

Some 300 new legal acts

A substantial part of new EC legislation was reviewed in 1992. Work continued in 1993 because further acts were adopted after the entry into force of the internal market on 1 January 1993. New legislation was especially frequent in some fields that fell under IWG I; some 300 acts out of a total of more than 400 fell under its competence. The most important fields were: veterinary and phytosanitary controls (Annex I), harmonization of technical legislation (Annex II), and also other fields such as public procurement, where the internal EC legislation was finished and consolidated. Legislation was further completed in intellectual property rights, where at the very end of 1993 such an important act as the trademark law was finally adopted.

The procedure of examination followed the model adopted during the negotiations, that is, the expert groups scrutinized the acquis with regard to its relevance for the EEA and its possible problematic nature. Problematic issues were, preferably together with a possible solution, passed on to IWG I for examination.

The large majority of the issues were non-problematic. However, some problems were identified and several of them remained on the table until quite late in the year, not least because they were also dealt with in...
the membership negotiations between the EC and four of the EFTA countries, which only entered their final stages at the beginning of 1994.

Fields where major problems remained were veterinary and phytosanitary controls, foodstuffs, motor vehicles and medical products. In February 1994, all problems were resolved. Very few acts where, due to their adoption late in 1993 the examination was not yet completed (e.g., trademark legislation), needed to be further scrutinized.

Protocol 3

Price compensation regimes with regard to processed agricultural products have been created by all the EFTA countries and the EC as a result of different agricultural policies. A common and simplified regime in the EEA was considered important for both economic operators and administrations. The main lines of the new regime were agreed during the EEA negotiations and were part of the original text signed in Oporto, Portugal, in 1992. However, a number of appendices containing technical details were left open for further clarification by experts. Quite a number of problems were solved during 1993. However, some of them remained on the table all through the year and into 1994.

The two major problem areas concerned the list of raw materials that are subject to price compensation and the list of reference prices for various products.

Origin rules problems

A new solution with regard to origin rules needed to be found because Switzerland had not been able to ratify the EEA. One of the consequences of that decision was that there would have been different origin rules between Switzerland on the one side, and the other EFTA countries and the EC on the other, at the moment of entry into force of the EEA. In the light of the long-standing efforts to harmonize and simplify origin rules, this was undesirable. It would have also further complicated progress towards finding solutions for wider cumulation in Europe.

In comparison with the free trade agreements of 1972 and changes made thereafter, the EEA brought a number of further simplifications and improvements to the origin rules. The most significant was that full cumulation between all the EFTA countries and the EC was achieved under the EEA.

After lengthy deliberations it was agreed to pass on these improvements to Switzerland, without, however, including full cumulation. These changes would be applied as of 1 January 1994. In order to formalise the matter, amendments to Protocol 4 of the EEA Agreement and to the respective Protocols in each free trade agreement with the EEC were elaborated.
Shipbuilding

The treatment of the so-called 7th Shipbuilding Directive in the EEA has been a long-lasting issue. In the EC system this directive is an exception to the otherwise strict rules regarding state aid. The directive became necessary in order to bring some order into the widespread practice of governments subsidising shipyards both in intra-EC trade and in competition for contracts outside the EC. With a view to providing for equal conditions of competition for EFTA shipyards, the EFTA countries requested that the directive be included in the EEA. This was refused by the EC side on the grounds that the directive was a temporary measure. As a solution expected in the OECD context did not materialize the EC decided, however, to prolong the regime of the directive. Following continued disagreement about the inclusion of the directive after its prolongation it was decided that the EEA should be adapted to the then-prevailing circumstances at the beginning of 1995.

Comitology

During 1993, IWG I undertook a preliminary examination of the "comitology" situation on the EC side. Relevant committees, which were provided for in the EC legislation in order to assist the Commission in carrying out its tasks, were mapped out as well as their composition, the meeting frequency, etc. More than 120 committees and/or working groups were identified in the fields falling under IWG I alone. It was estimated that at least 300 meetings per year of interest to the EFTA side would take place at which attendance from the EFTA side would be necessary.

When comparing the EC committee structure to the situation existing in EFTA it was found that equivalent bodies existed in practically all cases. IWG I thus concluded that it was in a comfortable situation at the moment of the entry into force of the EEA but that the situation would need to be reviewed regularly after that time in the light of experience.

Some first-hand experience was already gained in 1993 when EFTA experts were able, on an informal basis, to attend some relevant EC committees as observers.

THE FREE MOVEMENT OF PERSONS

Activities related to the free movement of persons have focused on the development of EURES (European Employment Services). The basic act with regard to EURES, Council Regulation 2434/92, was adopted in 1992. As regards implementation, a Commission Decision (93/569/EEC) was adopted on 22 October 1993.

By mid-1993, EFTA was informally involved in EURES. An EFTA group - EFTA Project Managers for EURES - held meetings to which representatives of the EC Commission were invited. After the entry into
force of the EEA Agreement, the EFTA project managers participated in joint meetings of project managers for EURES. In addition, an internal EFTA group was established: the EFTA Working Group on EURES. The working group deals with matters related to the integration of the EFTA States into the EURES system. It reports to EFTA sub-committee III, particularly signalling issues which may require deliberation and possible contacts with the EC side at sub-committee level.

The main components of EURES are a central database which collects and forwards information on vacancies, etc.; an electronic mail system; and Info 92, which is a database containing information about living and working conditions in all EC Member States. Corresponding information about the EFTA-EEA States will be brought into the system during the second half of 1994. To secure appropriate treatment for job-seekers, the EURES system provides specially trained advisers, so called Euroadvisers. During 1994, the system will provide 370 Euroadvisers spread all over the EEA area.

The EFTA-EEA States, excepting Iceland, will be technically linked to the system, which is already partially operational, in February 1994. To secure further implementation, EURES will be elaborated prior to its official launch in November 1994.

Social security

During autumn 1993, the EFTA side was informally invited to certain meetings of the Working Parties of the Administrative Commission on Social Security for Migrant Workers. By the entry into force of the EEA Agreement, in accordance with Protocol 37, the EFTA side gained observer status in the Administrative Commission, which comprises various working parties and the Audit Board.

The EC Council adopted Regulation 1945/93 on 30 June 1993. It concerns miscellaneous amendments to Regulation 1408/71, the basic act on social security. The only EEA adaptation needed was to indicate that one article of the regulation - Article 3 - was not applicable to the EFTA States (cf. Annex 6 to Decision 7/94 of the EEA Joint Committee). Without the exclusion of this article, there would have been an obligation within the EEA to export certain non-contributory benefits during a period of five years. Regulation 1945/93 shall apply in the EFTA States after national procedure and be applicable retroactively from entry into force of the EEA Agreement.

A full revision of the existing set of social security forms - not only to meet EEA purposes but also to take into account requests from the EC Member States - is ongoing. Until this work has been accomplished, the "old" forms continue to be used within the EEA.

A major activity in the field of social security is the development of an electronic mail system - Sosenet - to replace the existing social security
forms, which are currently moved between competent institutions by means of forwarding by post. The work is being carried out by a working party of the Administrative Commission - TESS (Telematics in Social Security) - in co-operation with a consortium. The EFTA-EEA States participate in meetings of TESS. The aim of Sosenet is to replace the existing unwieldy system, thus achieving gains in speed, efficiency and safety. It has been indicated that Sosenet might be partly operational by January 1995. The new system will take advantage of the forementioned full revision of the existing forms.

The first signals concerning an upcoming full revision of the existing social security co-ordination systems appeared from the Commission during the year. The aim is to establish a system that is more transparent and easier to handle. The great complexity of the existing system has implied a certain lack of transparency for applicants and administrators, and has also created difficulties with regard to its application.

**Mutual recognition of diplomas**

In mid-1993, the EFTA side was informally invited to EC meetings related to the first and second general systems for the recognition of professional education and training. Co-operation in this area will be formalised by means of a decision of the EEA Joint Committee in early 1994, which will add the Co-ordinating Group on the first general system to the list in Protocol 37 to the EEA Agreement. This Co-ordinating Group will also cover the second general system, which will have entered into force by mid-1994.

An unsolved question is EFTA's involvement in sectoral committees in the field of mutual recognition of diplomas. The EFTA side has requested that eight such committees be integrated into Protocol 37. A response is expected from the EU side during the first half of 1994.

During 1993, a major task for the Working Group on Mutual Recognition of Diplomas was to settle the question of EEA adaptations to Annexes C and D according to Article 15 of the second general system. The outcome of these discussions is contained in the so-called additional package (cf. Annex 7 to Decision No 7/94 of the EEA Joint Committee). The annexes indicate courses having a special structure as referred to in the directive. The practical implication is - in case of an EEA State having a course with a special structure - that corresponding higher educational demands, deviating from the general rule of the directive, will also be imposed on non-nationals.

Two joint statements have been approved by the EEA Joint Committee. One of them concerns nationals of Iceland who hold diplomas or certificates awarded on completion of professional education and training conferred in a third country. The other concerns the pursuit of employment in the construction industry in Iceland.

THE FREE MOVEMENT OF CAPITAL AND SERVICES

From an economic point of view, the services sectors and trade in services are very important for the EFTA countries. Services account for close to 50 per cent of gross domestic product. For some EFTA countries receipts from trade in services amount to more than 40 per cent of receipts from trade in goods. Receipts from capital invested abroad have also increased rapidly.

While trade in goods has largely been liberalized in Western Europe, significant obstacles have remained concerning the provision of services and movement of capital. The EEA Agreement encompasses about 100 binding and 25 non-binding acts aimed at liberalizing capital movements and services. Since the cut-off date of 31 July 1991 for acts incorporated into the EEA Agreement, more than 50 binding and about 15 non-binding acts have been adopted in the EC in these fields. These acts, which broaden the scope of liberalization as well as improving its impact, will form part of the 'additional package' of acquis expected to enter into force in the EEA by mid-1994.

Capital movements

At the end of the 1980s and beginning of the 1990s, the EFTA States took, in parallel with developments in the EC, significant steps towards liberalizing capital movements. As from the beginning of 1993, the overwhelming majority of restrictions on capital movements in the EFTA States, which still existed in the mid-1980s, were dismantled.

The EEA Agreement removes most of the remaining restrictions, thus allowing capital to move freely throughout the EEA as from 1 January 1994. It bans, on a legally enforceable basis, any restrictions on movements within the EEA of capital belonging to firms or natural persons resident in EU Member States or in contracting EFTA States. Hence, except for a few derogations and transitional arrangements, a firm or a person resident in one of the contracting EFTA States will be able to make a direct investment, acquire real estate, purchase shares, bonds or units of an investment fund, take loans or credits and make deposits with a bank, in any other EEA country without hindrance.
Economic and monetary policy co-operation

The EEA is the largest integrated market in the world. Policy-makers in all EEA countries need to exchange views on economic and monetary policy issues in order to ensure its proper functioning. The EEA Agreement provides for such co-operation on a non-binding basis.

Co-operation has already taken place in this field for some time, in the form of meetings between the EFTA Economic Committee and representatives of the EC Commission (DG II). A description of activities in that context in 1993 is given in the section on Standing Committees. This co-operation will, from 1 January 1994, be carried out under the auspices of the EEA Joint Committee.

Financial services

The financial services sector accounts for 5 to 6 per cent of gross domestic product in the various EFTA countries. Traditionally, this has been a highly regulated sector, with differing provisions for authorization, surveillance and prudential supervision from country to country. From 1 January 1993, as a result of two decades of progressive co-ordination of national laws, regulations and administrative practices, the EC has applied the principle of single licence and home-country control in banking. Insurance and securities trading will follow, though with some delay. These principles will be extended to the EFTA-EEA countries from 1 January 1994.

The EEA Agreement signed in Oporto includes only that part of the relevant EC legislation adopted before 1 August 1991. In the financial services sector, as in other sectors, activities in 1993 mainly related to the incorporation of acts adopted thereafter into the Agreement as an "additional package", to be agreed upon by the EEA Joint Committee early in 1994. Agreement was reached before the end of the year on all relevant new EEA legislation, but certain adaptations were found to be necessary in order to take into account specific situations in some EFTA countries, in particular in the field of insurance. In addition, studies were made of several new proposals, including directives on deposit guarantee schemes, on reinforcing prudential supervision in all three fields, and on pension funds. Finally, a major effort was put into analysing issues related to the management and administration of the Agreement, and to the division of tasks between different EEA organs in order to make the Agreement fully operational.

Banking

According to the principle of a single licence, any bank duly authorized in an EEA country may establish a branch in another EEA country, or provide services across borders, without having to apply for a new licence for that purpose. Supervision of the activities of a bank will be carried out by the competent authorities in the country where it is incorporated (the
home country) rather than in the country where it establishes a branch or provides services (the host country). A single licence with home-country control is possible because all countries involved will apply the same basic principles for prudential requirements and supervision, including eventually supervision on a consolidated basis. These principles were adopted in the EEA Agreement signed at Oporto.

The acts included in the additional package further define the "own fund" concept, renew the provisions related to consolidated supervision and, most importantly, strengthen the monitoring and control of large exposures of credit institutions.

Securities trade
A number of steps have been taken in the EC to simplify access to stock markets in the Member States. Investment funds are an important vehicle for raising risk capital from small savers who wish to diversify their risks. The EEA Agreement already allows these funds (called Undertakings for Collective Investments in Transferable Securities (UCITS)), when duly authorized in one country, to operate in the EEA under a single licence.

The directives in the additional package on investment services and capital adequacy of investment firms and credit institutions take another major step forward towards establishing single licence and home-country control principles in investment services. After implementation of these directives by 1 July 1995, they will apply also to trade in securities.

Insurance
The Third Life Insurance Directive and the Third Non-Life Insurance Directive in the additional package firmly establish the principles of the single licence and home-country control in the field of insurance. The directive on annual and consolidated accounts, also part of the package, lays down the necessary accounting principles. These important directives will establish a single EEA insurance market.

Transport
The EEA Agreement concentrates primarily on the harmonization of technical, social and operational conditions in the transport field. Legislative work on the EC side has, since the signing, concentrated on issues related to market access in, for instance, land transport, maritime transport and civil aviation. Integrating these important new acts into the EEA Agreement is being pursued via agreed procedures.

Inland transport
Harmonization of the inland transport market has continued since the signing of the Agreement. In addition, significant steps towards liberalization have been introduced.
Legal acts recently adopted in the EC include access to the international market in the carriage of goods and passengers by road. Another aspect of liberalization gives non-resident carriers gradual access to national transport markets (road passenger and inland waterways cabotage).

The new directive on the development of EC railways fulfils the criteria of both harmonization and liberalization. In addition, the field of combined transport has been complemented by the continuation of the support scheme and extension of the definition of combined transport to cover sea voyages.

Maritime transport
The EU has lately adopted measures that will gradually liberalize maritime cabotage. Current work in the EU is concentrating on the competitiveness of shipping industries and on transport safety.

Civil aviation
The entry into force of the additional package of acquis will extend the third aviation package to Austria, Finland and Iceland. The additional package will thus extend a substantially liberalized aviation market throughout the whole EEA area.

As a result of the third aviation package, air carriers holding an Operating Licence from any of the EEA States have free access to virtually all international routes within the area and are generally free to charge the fares they wish. From 1997 domestic routes will also be opened up to all carriers.

Furthermore the additional package includes a regulation on common rules for slot allocations, and amendments to an existing regulation on a code of conduct for computer reservation systems, intended to ensure competition between companies and better user-information. The directives harmonizing technical requirements and administrative procedures in the field of civil aviation, and technical specifications and definitions of air-traffic management equipment and systems, are of a more technical nature. So is a directive on mutual acceptance of personnel licences.

New Technology services
Telecommunications
The EEA Agreement includes two directives of importance for the regulatory regimes of the EFTA States: the liberalizing "services" directive and the harmonizing Open Network Provisions (ONP) Framework Directive. As a result of these two directives only voice telephony can be maintained under exclusive rights after 1 July 1994.
The additional package includes the directive on the international telephone access code, standardizing "00" to be used in the EU by 31 December 1998, and the Open Network Provisions (ONP) Leased Lines Directive, which will extend ONP principles to leased lines. A Council Resolution on the review of the situation in the telecommunications sector provides the future policy and work programme, including the full liberalization of voice telephony.

Information services

In 1993, EFTA experts closely followed developments in the Information and Security (INFOSEC) Programme. They also gathered information concerning the Information Market Policy Actions (IMPACT) II and the Strategic Programme for Innovation and Technology Transfer (SPRINT) programmes with a view to preparing themselves for full participation as from 1 January 1994. The EFTA States contribute to all three programmes financially, and in addition, at least two professionals from EFTA States would be working in the IMPACT programme on secondment from EFTA.

Audio-visual services

Whereas the EFTA States had earlier participated in the MEDIA (development of the European audio-visual industry) programme through bilateral agreements, in 1993 the terms and conditions for participation in accordance with the EEA Agreement were agreed upon. It has also been agreed that three persons could work in the Commission on secondment from EFTA in this programme.

Postal services

The green paper on postal services is the basis for discussions on future regulatory policy in this field. The Council Resolution approving the guidelines developed in the green paper was agreed in principle in December 1993.

FLANKING AND HORIZONTAL POLICIES

"Flanking and horizontal policies" is the term used to describe a number of fields not directly influencing the establishment of the four freedoms - the free circulation of goods, services, capital and persons - but having a significant impact upon them indirectly, and also upon conditions of competition.

In the EEA Agreement, flanking policies are enumerated and described in Part VI: "Co-operation outside the four freedoms". In the first article hereunder, it is stated that "the Contracting Parties shall strengthen and broaden co-operation in the framework of the EC’s activities in the fields of:
- research and technological development;
- information services;
- the environment;
- education, training and youth;
- social policy;
- consumer protection;
- small and medium-sized enterprises;
- tourism;
- the audio-visual sector; and
- civil protection".
- statistical co-operation (see page 50)

In addition, statistics and company law are important fields of horizontal co-operation, being treated in Part V of the Agreement.

**Research and development**

The objectives of R & D co-operation are to strengthen the scientific and technological base of European industry and to make it more competitive at international level. The ultimate goal of EEA R & D activities is to promote an improved standard of living and to meet the needs of consumers. Co-operation will normally take one of the following forms:

- participation by EFTA States in the EC R & D Framework Programmes, specific programmes, and other actions;
- establishment of joint activities;
- the formal and informal exchange or provision of information;
- co-ordination, where this is of mutual interest, of efforts and activities via international organizations (for instance the European Research Co-ordination Agency (EUREKA) framework).

The main form of EEA R & D co-operation will be the participation by EFTA States and undertakings in the non-nuclear part of the EC's Third Framework Programme on R & D that ends in 1994. It is envisaged that negotiations to include the Fourth Framework Programme (1994-1998) in EEA co-operation will start as soon as it has been adopted in the EU. The Fourth Framework Programme is considerably more extensive than the Third and includes, on the basis of the Maastricht Treaty, all research activities in the EC. The total sum envisaged for non-nuclear activities is around 11 billion ECU. During 1993, EFTA experts were given the opportunity to participate in the shaping of this programme through participation in EC committee work. The R & D Framework Programmes cover activities such as enabling technologies (including information and communication technologies, as well as industrial and materials technologies), management of natural resources (environment, life sciences and technologies, energy) and management of intellectual
resources (human capital and mobility). Part of the budget is also allocated to the dissemination and exploitation of the results.

The governments of EFTA countries will pay their full share of the budgets of the specific programmes and EFTA undertakings (companies, universities, research centres) will participate on an equal footing in the projects under those programmes.

The group of EFTA experts on R & D held nine meetings in 1993 of which seven were held in connection with the joint EFTA-EC meetings in the informal EEA group on R & D matters. The EFTA R & D experts were invited to a joint meeting in May with the EC Scientific and Technical Research Committee (CREST). Two representatives of each EFTA State will be full members of the management committees of the 14 specific programmes, without voting rights, under the EEA Agreement. In the interim period during 1993, one observer from each EFTA-EEA State participated in the work of these committees. Observers were also invited to the Board of Governors of the Joint Research Centre (JRC).

An informal sub-group of the EFTA experts on R & D is dealing with EFTA countries' participation in the IMS (Intelligent Manufacturing Systems) activity which is being conducted as a co-operation between some of the EFTA countries, the EU, the United States, Japan, Australia and Canada. The group had four meetings in 1993.

At company level, EEA R & D co-operation will especially enable small and medium-sized enterprises to have access to new technologies, to establish R & D networks and to find new markets for their products or know-how. EFTA undertakings participated during 1993 in the EC's "call for proposal" in the different specific programmes of the Third Framework Programme on a project-by-project basis, in some cases with a view to becoming involved in projects with full and equal rights in 1994.

**Small and medium-sized enterprises**

The EEA will establish a European dimension for small and medium-sized enterprises (SMEs).

EEA co-operation in this field aims at improving the business environment for SMEs by removing undue administrative, financial and legal constraints. It also aims at informing and assisting SMEs on policies and programmes which might be relevant to them, as well as encouraging co-operation and partnership between SMEs from different EEA regions.

The main modalities of co-operation within the EEA context are participation by the EFTA States and undertakings in EC networks and programmes. In 1993, EFTA countries participated bilaterally outside the EEA in the Business Co-operation Network (BC-NET) and in the Euro-Info-Centre network.
In 1993, six internal meetings of EFTA experts on SMEs and three joint EC-EFTA meetings took place. The main outcome of the joint discussions was the conclusion that the EFTA countries would seek full participation, within the EEA, in the EU-SME programme starting in 1994.

Representatives of the EFTA countries attended training courses on Euro-Info-Centres organized by the Commission and also conferences and seminars on various EC activities which will be part of the new SME programme.

**Environment**

During 1993, activities in the field of environment increased. The main task was preparation for the entry into force of the EEA Agreement.

The EFTA Environment Group met nine times to consider the new EC acquis relevant to the environment and to prepare the future organization of its work under the EEA Agreement. Another area of priority was EC-EFTA environmental co-operation on policy issues like the follow-up to the EC's Fifth Environment Action Programme. Furthermore, the group closely followed related activities in other fora, such as environmental standardization.

The group had, by the end of the year, the following expert groups for technical and scientific advice: waste, water protection, air pollution, economic and fiscal instruments, biotechnology, integrated pollution prevention and control and eco-auditing, eco-labelling and civil liability. These groups have held a series of meetings during the year, frequently meeting European Commission experts to exchange views and information. Furthermore, EFTA experts started to participate on an informal basis in some of the Commission's expert groups.

The EFTA Environment Group and its expert groups have, in continuous contacts with the EC side, tried to influence the legislation process to obtain the benefit of high environmental standards in the EEA. In close co-operation with the EFTA Committee on Technical Barriers to Trade (TBT), the Group has also been working with product-related legislation on issues such as motor vehicle emissions, and chemicals. The group has actively pushed for the start of negotiations on EFTA participation in the newly established European Environment Agency.

A High-Level Meeting of EFTA and EC Environment Officials was held in June. To follow up, two EC-EFTA seminars were organized, one on trade and environment and one on European environmental integration. An informal meeting of the Directors-General of the Environment Ministries of the European Union Member States, the Commission and the EFTA States in November set the basis for further co-operation.
Education, training and youth

During the course of the year the EFTA Expert Group on Education held a series of meetings both internally and jointly with the EC Commission, in order to finalize certain outstanding issues as regards education, training and youth within the EEA Agreement.

The EFTA States participated as observers in the two annual meetings of the European Action Scheme for the Mobility of University Students (ERASMUS) Advisory Committee, the Youth for Europe Advisory Committee and the Action Programme of the Community in Education and Training for Technology (COMETT) Committee. The EFTA States were also invited to take part in the meetings of the National Agencies within the Youth for Europe programme.

Sweden was the first EFTA country to host a meeting within the Network of National Academic Recognition Information Centres (NARIC) network. The meeting took place in Stockholm in May.

Representatives from the EFTA States were invited to attend the annual meeting of the ARION (Program of Study Visits for Education Specialists) national liaison officers that took place in June in Brussels.

The EFTA States were invited to attend a meeting of the Community Action Programme for the vocational training of young people and their preparation for adult and working life (PETRA).

Several meetings took place with the European unit of the EURYDICE network in order to prepare for full participation as of 1994. The EFTA States were invited to attend as observers the EURYDICE (Education Information Network European Community) Steering Committee, which met in December. The EFTA States were invited to contribute to the EC document, Structures of the Education and Initial Training Systems, and to take part in an EC comparative study on Initial and In-service Teacher Training.

A Joint Information Note by the EC and EFTA Education Experts on EEA Co-operation in the Field of Education, Training and Youth was drawn up.

The EFTA States made joint comments on the EC Commission Working Paper on Guidelines for Community Action in the Field of Education, Training and Youth and on the EC Green Paper on the European Dimension of Education. These comments were forwarded to the Commission.

The EFTA States had a meeting with responsible officials at the Centre européen pour le développement de la formation professionnelle (CEDEFOP) in order to discuss modalities for EFTA participation in the activities of CEDEFOP as of 1994.
Civil protection

During the year, an EFTA Group on Civil Protection was established. The group has met twice to consider how commitments in the field of civil protection in the EEA Agreement could be met.

Social policy

The EC side adopted three new directives in the social policy field in 1993. The most significant and controversial was the directive concerning the organization of certain aspects of working time. The EFTA experts on social policy also continued to monitor developments concerning pipeline proposals. One of the more important of these concerns the informing and consultation of workers where European-scale undertakings are involved. This proposal was submitted to the social partners as a "launch" of the new procedure provided for in the Social Protocol to the Treaty on European Union. The Protocol strengthens the role of the social partners in the development of new EC measures in the social policy field (for example through collective bargaining at EC level). Concerning the social partners, the EC and EFTA sides continued to discuss full EFTA participation in the Social Dialogue.

In 1993, the EFTA experts on the European Year of Safety, Hygiene and Health Protection at Work concluded their work, notably by arranging the EFTA conference "Work Environment Problems - Year 2000". The proceedings from the conference will be published in spring 1994.

The EFTA experts dealing with questions pertaining to the European Foundation for the Improvement of Living and Working Conditions continued to elaborate modalities for EFTA/Foundation co-operation under the EEA.

The EC and EFTA agreed to prolong co-operation on questions concerning elderly persons in 1994. This will, inter alia, allow for EFTA participation in planning for a new programme envisaged to start in 1995.

As a result of an EFTA proposal, the two sides also agreed to strive for full EFTA participation in the Helios II programme (measures for the disabled). For practical reasons, however, EFTA participation will have to be implemented gradually, starting in 1994.

Consumer protection

1993 saw the adoption of a new EC three-year action plan in the consumer-policy field (1993-1996). The plan was examined by EFTA experts internally and in conjunction with the Commission, and will provide an important basis for identifying EU activities in this field in the coming years. The plan will replace the one in the Agreement. The directive concerning unfair terms in consumer contracts (adopted in 1993) will be included in the Agreement.
The EFTA experts also started to examine two very important green papers (on access to justice and guarantees/after-sales services). The work pertaining thereto will continue in 1994.

In addition to the continued monitoring of the proposals for new directives in the consumer protection field, the EFTA experts started to elaborate a work plan for EFTA work in this field within an EEA context.

**Consumers' Consultative Committee**

In 1987, a sub-committee for consumer policy affairs commenced work under the auspices of EFTA's Consultative Committee. This consumer body was replaced in September by the Consumers' Consultative Committee (CCC). The CCC is an independent committee composed of representatives from national consumer organizations, institutions and individuals specially qualified in consumer affairs, and acts as a consultative body to the Standing Committee of the EFTA States on issues relating to consumer interests.

In 1992 the CCC held its constitutive meeting where it adopted its rules of procedure.

The CCC has been represented in the meetings of the European Organization for Testing and Certification (EOTC), the European Electrotechnical Sectoral Committee for Testing and Certification (ELSECOM), the European Committee for Standardization (CEN) General Assembly, and the European Committee for Electrotechnical Standardization (CENELEC) General Assembly.

In 1993, the EC CCC and EFTA CCC agreed on a proposal for the establishment of a standardization structure for consumers - the European Standardization Association for Consumers (ANEC) - in order to ensure a more effective input from consumers and to improve the co-ordination of consumers' representation in standardization work at European level. This new body will have its first General Assembly in spring 1994.

In the fields of foodstuffs, financial services and access to justice, working groups have already been established. Other areas which are also of great interest for consumers are liability of services, the environment, proliferation of product marks and the EC three-year action plan.

A first informal joint meeting between the EFTA CCC and the EC CCC was held in October 1993 where both sides expressed their interest in continuing and strengthening their contact.

**Statistics**

The aim of statistical co-operation within the EEA is to establish a European Statistical System covering all EC and EFTA countries. A description of the activities in that field is given in the section on the EFTA statistical office in Luxembourg.
LEGAL AND INSTITUTIONAL QUESTIONS

Introduction

At the beginning of 1993, activities in the legal and institutional field were mainly directed by the need to make adjustments to the EEA Agreement as a consequence of the negative outcome of the referendum in Switzerland. But simultaneously, and up to the very end of 1993, other preparations for the entry into force of the Agreement went on. One main part of these other preparations was related to the so-called additional package of interim acquis, i.e., the integration into the EEA Agreement of legal acts adopted by the EC after 1 August 1991 up to the entry into force of the Agreement.

Other significant activities were the drafting of rules of procedure for the different EEA organs and the establishment on the EFTA side of appropriate translation and publication regimes.

The Protocol Adjusting the EEA Agreement

Immediately after the referendum in Switzerland in December 1992, work was undertaken to achieve, among the remaining contracting parties, an entry into force of the EEA Agreement as soon as possible. This work began, in formal terms, when the Interim Standing Committee appointed on the EFTA side the members of the joint EC/EFTA ad hoc group, which was to prepare the draft protocol containing the necessary amendments. On the EC side the Commission was authorized, in a mandate issued by the Council at the beginning of February, to deal with the necessary amendments.

A major part of the work of the ad hoc group was to go through the whole EEA Agreement in order to identify all references to Switzerland and, thereafter, to deal with these references. This work was complicated by the fact that at the same time the references to Liechtenstein had to be taken note of in order to assess the impact of the deletion of a reference to Switzerland on a reference in the same context to Liechtenstein.

The task of identifying all references to Switzerland in the Agreement was an extensive as well as time-consuming exercise. Besides this inventory of references, and the attendant technical difficulties, other problematic questions arose. One problem, related to the close links between Switzerland and Liechtenstein, and which was recognised even in the mandate to the Commission, was that special arrangements would be needed for the entry into force of the Agreement for Liechtenstein.

Other, more political issues also surfaced during the discussions, such as the size of contributions to the EFTA Financial Mechanism, the question of an earlier entry into force of the bilateral agricultural agreements, and the participation by EFTA States in certain fields of the
flanking policies. These questions also had to be dealt with in a legal context and the necessary drafts had to be provided.

Adjustments were also required with regard to the three internal EFTA Agreements. They were, however, relatively easy to identify and more limited, and in general it was possible to follow the same lines as with the Protocol Adjusting the EEA Agreement.

The result of the discussions is mainly laid down in the Protocol Adjusting the EEA Agreement and in an Annex to that Protocol (which contains all technical adaptations). There is also one Adjusting Protocol for each of the three internal EFTA Agreements, namely the Agreement between the EFTA States on the Establishment of a Surveillance Authority and a Court of Justice, the Agreement on a Standing Committee of the EFTA States and the Agreement on a Committee of Members of Parliament of the EFTA States.

The "additional package"

The EEA Agreement signed in Oporto in May 1992 did not, for obvious practical reasons, contain references to all relevant EC legislation issued before its entry into force. This situation was, however, foreseen and provided for in the Final Act to the Agreement. Therefore, with regard to legislation issued between 1 August 1991 and the entry into force - the so-called "additional package" of interim acquis - negotiations continued with the aim of integrating this legislation into the Agreement as soon as possible. Since, for various reasons, entry into force was postponed, this interim period became considerably longer than foreseen and at the time of entry into force of the Agreement the number of new acts to be included amounted to almost 500, whose text length ran to 4,000 pages.

As was the case with the Agreement itself, the inclusion of this additional acquis required negotiations between the two sides. The positions of the EFTA side were elaborated in the five EFTA Interim Working Groups. Assistance in legal and institutional matters was required not only during the continuous discussions for derogations, transitional periods, etc., but also with regard to emerging specific legal issues of a horizontal nature and with regard to the legal drafting of the future EEA Joint Committee Decision in question, which finally amounted to some 300 pages (mainly containing amendments to the Annexes of the EEA Agreement).

In this context mention should be made also of the work involving translation into the four Nordic EFTA languages of the texts of all the relevant EC legal acts. The translation work was carried out by the Nordic EFTA States and co-ordinated in the EFTA Translation Working Group. This task included translation not only of those 1,500 acts referred to in the basic Agreement but also of the 500 acts to be included in the additional package.
Other preparations for the entry into force of the EEA Agreement

Another main part of the preparations for the entry into force of the EEA Agreement was to see to it that the Agreement, once in force, would function properly. Rules of procedure for the different organs (e.g., the EEA Council, the EEA Joint Committee, the EFTA Standing Committee and the Financial Mechanism Committee) therefore had to be prepared, and other issues had to be dealt with. One such, which required, as it appeared, substantial legal and administrative consideration, was how to establish and organize on the EFTA side the necessary regimes for translation and publication of EEA-relevant information.

Among other legal or institutional issues that had to be dealt with, it had to be ensured that the EFTA Court and the EFTA Surveillance Authority would be operational on the day of entry into force; work to this purpose was mainly carried out under the responsibility of two Preparatory Committees. With regard to the Rules of Procedure of the Court the main work was carried out by the appointed Judges.

Finally, it should be mentioned that a number of legal questions regarding the functioning of the EEA were the subject of a special meeting of Interim Working Group V in September in Vaduz, Liechtenstein. Among the issues discussed were: the homogeneous EEA; intervention by EFTA States before the EFTA Court and the Court of Justice of the European Communities; interim measures in the EFTA Court; settlement of disputes in the EEA; implementation of EEA rules and Article 120 of the EEA Agreement. As a basis for discussion a number of papers were prepared by delegations and the Secretariat. Those papers are available in a special volume published by EFTA.
RELATIONS WITH OTHER COUNTRIES AND INTERNATIONAL ORGANIZATIONS

Since 1989, the EFTA States have supported democratic and economic reform in Central and Eastern Europe; the rapid development of "third-country" relations prompted the EFTA Council to establish general guidelines in this respect. A distinction was made between countries in and outside Europe. The former are candidates for formal Declarations on co-operation followed by technical assistance and the possibility of free trade negotiations, while such negotiations are only to be pursued with the latter if there is a sufficient commercial motive, in particular a risk of discrimination against EFTA goods as compared to EC goods.

At the end of 1993, free trade agreements were in force between EFTA and all the countries of Central and Eastern Europe also having Association Agreements with the EC with similar trade provisions. The countries concerned are Bulgaria, the Czech Republic, Hungary, Poland, Romania and the Slovak Republic. Free trade agreements were also in force with Turkey and Israel.

Relations with Albania and the Baltic States (Estonia, Latvia and Lithuania) as well as with Slovenia, continued under the respective Declarations on co-operation.

Bulgaria, the Czech Republic, Hungary, Poland, Romania and the Slovak Republic

Co-operation between EFTA and these six Central and East European countries (CEECs) is based on declarations on co-operation which essentially cover trade, economic, industrial and scientific co-operation. Joint Committees were established by the declarations to implement co-operation and to examine the possibility of free trade. The Joint Committees set up sub-committees charged with examining conditions for setting up a free trade agreement. Negotiations began with Hungary, Czechoslovakia (CSFR) and Poland in autumn 1990 and continued throughout 1991.

Negotiations with the CSFR were concluded in Geneva on 3 March 1992. The free trade agreement was signed in Prague on 20 March 1992.
and entered into force on 1 July that year. Following the dissolution of the Czech and Slovak Federal Republic, the EFTA States signed protocols on succession with each of the two new Republics; thus as of 19 April 1993 there have been two separate, but identical, free trade agreements with the successor states.

With regard to Hungary, negotiations on a free trade agreement were concluded in March 1993. Entry into force took place on 1 October 1993. A meeting of the Joint Committee was subsequently held in Budapest on 20 December 1993.

As far as Poland is concerned, negotiations were concluded on 26 November 1992 and the free trade agreement was signed in Geneva in December 1992. Application of the Agreement began on 15 November 1993.

The free trade agreement with Romania, signed in December 1992, entered into force on 1 May 1993, whereas negotiations with Bulgaria were concluded in March 1993 and the free trade agreement entered into force on 1 July 1993.

These free trade agreements, together with the Association Agreements between these six countries and the EC (the Europe Agreements), should play a significant role in integrating these countries into the Western market economy. The aim is to establish free trade in industrial products among European nations.

Regular meetings have taken place between EFTA and EC experts to ensure that the rules laid down by the agreements will function as efficiently and coherently as possible. Discussions have focused on rules of origin, public procurement and competition rules.

The scope of the free trade agreements was based on that of the EFTA-EC free trade agreements of 1972, as well as on the Stockholm Convention. They cover trade in industrial goods, processed agricultural goods and fish and other marine products. Trade in agricultural products was negotiated bilaterally. The new agreements, however, differ from traditional free trade agreements in several respects; they contain provisions reflecting today's economic structures and requirements and take into account some features of the Agreement on the European Economic Area (EEA) as well as experience gained during the GATT Uruguay Round. They include provisions on competition, state aid, state monopolies, public procurement and intellectual property rights.

It was clear from the start that special conditions prevailing in the partner countries related to difficulties with transition from a centrally planned to a market economy would have to be taken into account. The EFTA States agreed to adopt an asymmetric approach, meaning that they would abolish customs duties and their few quantitative restrictions more quickly than their partners. Full reciprocity will therefore be achieved after
a transition period of about ten years. EFTA’s partner countries were also granted unilateral transition periods for certain other provisions of the Agreements, again reflecting the asymmetrical approach.

All the free trade agreements include unilateral safeguard clauses allowing the countries concerned to take appropriate measures in exceptional cases and for a limited time in sectors where serious difficulties or social problems arise during the process of restructuring. They further include a general evolutionary clause allowing for strengthened and expanded co-operation. In most cases a special provision allows for the future development of co-operation in fields such as investment and services.

**Turkey**

The free trade agreement with Turkey was signed on 10 December 1991 in Geneva. A transition period that will last until the end of 1995 began on 1 April 1992 with the entry into force of the agreement between Turkey and Switzerland and Liechtenstein. By October 1992 the agreement had entered into force for all EFTA States. During the transition period Turkey will gradually abolish duties on products coming from the EFTA States. The EFTA States abolished duties on all Turkish products, with the exception of those few products classified as "sensitive", from the date of entry into force of the Agreement. From 1 January 1996 full symmetry and mutual free trade will apply. Trade relations between the EFTA States and Turkey will be on the same preferential basis as trade between Turkey and the EC even during the transition period.

Like the agreements negotiated with the CEECs, the EFTA-Turkey agreement contains provisions on competition, state aid, public procurement and intellectual property rights. Turkey and the EFTA States have also promised to inform each other of any new technical regulations before their adoption.

The EFTA-Turkey agreement also contains an evolutionary clause, allowing both sides to develop relations further within the framework of the agreement, especially in areas such as services and direct foreign investment.

The Joint Committee established under the agreement held its second meeting in Geneva in November 1993.

During the year, technical assistance activities covering the fields of rules of origin and notification of draft technical regulations took place. An expert meeting was held concerning transparency measures in the field of state aid.
Israel

The free trade negotiations with Israel, which began in June 1991, were concluded in Geneva in July 1992. The free trade agreement was signed on 17 September 1992 and entered into force on 1 January 1993.

It is an agreement based on reciprocity and symmetry covering trade in industrial goods, processed agricultural products and fish. Trade in agricultural products was negotiated bilaterally.

Further, the agreement is adapted to the economic conditions of the 1990s and includes provisions relating to competition, intellectual property rights, public procurement, state aid and state monopolies, as well as a general evolutionary clause allowing for further development of relations.

The agreement ensures non-discrimination on the Israeli market for EFTA economic operators, giving them the same trading conditions as those enjoyed by EC and United States exporters. For Israel, on the other hand, the further strengthening of its relations with Europe is an aspect of particular importance.

In the context of the EFTA-Israel Free Trade Agreement, the EFTA States and Israel also agreed to permit the export of industrial and agricultural products from the Territories through Israel to the EFTA States under the same conditions as like products originating in Israel.

The first meeting of the Joint Committee established under the agreement took place in Jerusalem in November 1993.

Estonia, Latvia and Lithuania

Declarations on co-operation with the three Baltic States were signed at a Ministerial Meeting in Geneva on 10 December 1991.

Although not foreseen in the original declarations, it was agreed with Estonia, Latvia and Lithuania that Joint Committees would be established to provide a structured forum for discussion. The Joint Committees met for the first time in Stockholm in April 1993. As far as the establishment of free trade is concerned four EFTA States, Norway, Sweden, Finland and Switzerland, have concluded bilateral arrangements with each of the three Baltic States.

Slovenia

The EFTA States and Slovenia signed a Declaration on co-operation in Reykjavik in May 1992. The Joint Committee, charged with implementing the Declaration, established a joint sub-committee at its first meeting in Ljubljana on 17 November 1992. At its second meeting, held in
Liechtenstein in November 1993, the Joint Committee agreed that the sub-committee should begin an examination of the actions to be taken to establish a free trade area. The sub-committee started its work in January 1994.

**Albania**

On the occasion of the EFTA Ministerial Meeting in Geneva on 10 December 1992, a Declaration on co-operation was signed with Albania. That Declaration, like those signed with the other partner countries, serves as a basis for extending technical co-operation to that country. The first meeting of the Joint EFTA-Albania Committee took place in Tirana in March 1993.

**Technical co-operation**

Apart from opening the way for free trade agreements, the declarations signed with CEECs established a framework for co-operation in other fields. Co-operation activities can be divided into three main categories: EFTA-EC programmes; EFTA trade policy projects; other subjects for co-operation. In accordance with the principles and guidelines for co-operation with third countries laid down by the EFTA Council, emphasis has been laid on the first two categories. In order to avoid duplication of work EFTA aims, wherever possible, ensuring co-ordination and co-operation with other organizations.

**EFTA-EC programmes**

EFTA jointly finances with the EC programmes covering technical assistance in the fields of standardization, customs and origin matters, and statistics. In the case of Hungary and Poland there is a national programme of technical assistance in the field of standardization which will run for approximately two years and is implemented by the European Committee for Standardization (CEN) in co-operation with national government agencies and standardization bodies in the recipient countries. There is also a regional assistance programme in the field of technical regulations, standardization and conformity assessments. Bulgaria, Romania, Hungary, Poland, the Czech Republic and the Slovak Republic were the first beneficiaries of the regional programme, which has now been extended to Albania, the three Baltic States and Slovenia for a period of three years.

Technical assistance in the field of customs co-operation was first extended jointly by EFTA and the EC to the Baltic States. The activities are organized by EUROCUSTOMS and involve expertise from both EFTA
and EC Member States. Similar co-operation has been established with Slovenia and the Slovak Republic.

In the field of statistics, EFTA-EC technical assistance has been extended to the three Baltic States and implemented through a three-year statistical co-operation programme. EFTA also participates in limited projects carried out in relation to Albania, Bulgaria, Poland, Romania and Slovenia.

**EFTA trade policy projects**

Projects in this category have a twofold purpose; first, to assist free trade partners in the implementation of the free trade agreements, and second, to assist co-operation partners to formulate their trade policy and to prepare themselves for free trade relations. EFTA has prepared flexible models for co-operation in the form of seminars, workshops, study visits, etc., which are adapted to the particular needs of individual countries. Emphasis is placed on subjects such as general trade policy questions, customs and origin matters and technical barriers to trade, to the extent that these are not covered by EFTA-EC projects, as well as on competition rules, state aid and public procurement.

**Other subjects for co-operation**

Although trade remains the traditional core of EFTA activities, EFTA has established co-operation in other fields not directly related thereto. For example, under an EFTA scholarship programme, 15 students from the Baltic States and nine from Albania have been granted stipends to cover all costs related to two years of study in international business, economics or trade at designated schools in the EFTA States.

Courses giving an intensive introduction to basic market economics have been organized in each of the Baltic States and Albania and a high-level workshop on policy-making in economies in transition was held in Romania.

Pursuing the contacts established with their counterparts in the partner countries, in spring and autumn 1993 EFTA's Consultative Committee organized workshops with social partners in the Czech Republic, the Slovak Republic and in Hungary, respectively, which allowed for discussion of the implications of the free trade agreements. Similarly, the Committee of Members of Parliament of the EFTA Countries hosted a third colloquium in Geneva in autumn 1993 which brought together parliamentarians from the seven EFTA States and their counterparts from Albania, Estonia, Latvia, Lithuania and Slovenia. EFTA's Economic Committee met with representatives of Bulgaria and Romania in order to
exchange information on the economic situation and developments as well as to discuss issues related to economic and monetary policy.

**Pan-European cumulation**

Parallel, but not identical free trade agreements have been concluded between, on the one hand, the EFTA States and the former state trading countries in Central and Eastern Europe, and on the other, the EC and the same countries.

The agreements are parallel in the sense that they all aim at creating mutual free trade, mainly in industrial goods, between the contracting parties.

Subject to certain conditions, materials originating in some of the CEECs may be accounted for when establishing the preferential origin (generally referred to as cumulative origin) of a product to be exported to an EFTA country or to the EC, i.e., some of the CEECs are considered as one area from an origin point of view.

However, there is no link between the parallel agreements. For example, a particular product originating in the CEECs, which would be free of duty on direct importation into the EC or an EFTA State, cannot be traded free of duty between the EC and EFTA, or vice versa.

With the conclusion of free trade agreements with the CEECs, the EFTA States and the EC have discontinued the previous system of preferences under the GSP (Generalized System of Preferences). One effect thereof is that the applied practice of easily trading CEECs' products between EFTA States and the EC has disappeared.

**The common interest in a wider cumulation**

In order to encourage trade in Europe with products originating in the CEECs, and the use of CEECs' materials in EFTA or EC products, the EFTA States have suggested the creation of a bridge between the parallel agreements.

In the EFTA view such an improvement of the cumulation provisions (generally referred to as pan-European cumulation) would be of benefit to CEECs, the EFTA States and the EC. EFTA experts have shown that such an improvement would be technically feasible.

**Activities undertaken in 1993 in the field of cumulation**

In April, a Conference on Economic Development in Central and Eastern Europe was organized in Copenhagen, gathering Foreign Ministers and other high-level representatives from the EFTA countries, the EC Member States, the EC Commission and ten countries of Central and Eastern Europe.
The Conference called for "the continuous development of intra-European co-operation with the ultimate aim of creating a broader European free trade and co-operation area".

Later on, at the European Summit meeting in Copenhagen in June the Council of Ministers invited the Commission to carry out a study of the feasibility and impact of cumulation for products from the CEECs and the EFTA countries and to submit to it appropriate proposals.

It is expected that the study initiated by the Commission will be finalized in the first half of 1994.

The EFTA Industrial Development Fund for Portugal

The EFTA Industrial Development Fund for Portugal approved 113 loans from 1 February 1993 to 10 January 1994, for a total of 12,701 million escudos (approximately 72 million US dollars). These loans are estimated to have contributed to the creation of 417 new jobs and to have safeguarded more than 7,400 existing jobs.

The primary aim of the Fund, as set out in its statute, is to contribute to the development of Portuguese industry through the financing of specific projects, especially those involving the restructuring or creation of small and medium-sized firms.

Another important part of the Fund's activity has been the allocation of grants for management training.

The Fund also offers technical assistance and helps in the processes of analysing projects and preparing feasibility studies. By its lending policy the Fund actively seeks to support environmental protection and energy saving.

It is the responsibility of the EFTA Council, together with a Portuguese representative, to supervise and set guidelines for the application of the statute. A Steering Committee, consisting of representatives of each Contributory State, Portugal included, is responsible for the administration of the Fund and takes the major decisions concerning the loans. The Fund's representative in Portugal, the Banco de Fomento e Exterior, acting as the Fund's executive commission, is in charge of day-to-day administration and decides on the allocation of loans below 1.7 million US dollars. This institution, being close to the Portuguese market, plays a major role in executing feasibility studies and in analysing project proposals.
Relations with other international organizations

An EFTA parliamentary delegation attended in March the 42nd Plenary Session of the Nordic Council in Oslo. Traditional Nordic co-operation issues as well as the EU membership negotiations were at the centre of discussions. The session was marked by the visit of the Speaker of the Supreme Council of the Russian Federation, Mr. Ruslan I. Khasbulatov.

The EFTA CMP was also represented at the Session of the Parliamentary Assembly of the Council of Europe, held in Helsinki in June. The main topic of the meeting was “Progress of economic reform in Central and Eastern Europe: lessons and prospects”.

Moreover, the Economic and Development Committee of the Parliamentary Assembly of the Council of Europe visited the EFTA Secretariat at the end of the year. On this occasion, many important topics with regard to parliamentary co-operation in Europe were tackled.

Developments with regard to the final phase of the GATT negotiations were continuously followed by the EFTA Parliamentary Committee and the working groups concerned. Several GATT negotiators and Secretariat members were invited to report in the course of relevant EFTA parliamentary meetings.

Finally, representatives of several European international organizations participated in the April and October colloquia on EFTA’s new partnership with Central and East European countries.
FUNCTIONING OF EFTA

The Council

The Council is the governing body of the Association. It is composed of one representative of each Member State.

The Council usually meets once a week 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 31 times in the course of 1993. During the first half of the year Sweden had the chair; it was succeeded by Austria on 1 July.

Two EFTA Ministerial Meetings were held in 1993, one in Geneva on 16 June and one in Vienna on 17 December.

The standing committees

The Council has established a number of permanent committees to assist it in its work, and from time to time sets up ad hoc groups of experts to advise it on a given problem. These bodies are not empowered to make legally binding decisions, a right which belongs solely to the Council, and their powers are restricted to putting forward recommendations and proposals.

All Member States are represented in these committees and expert groups, usually by officials from capitals except in the case of the Consultative Committee, whose members, although appointed by their respective governments, act in a personal capacity, and the Committee of Members of Parliament.

A short description is given below of the function and recent work of the standing committees.

The Economic Committee

The Economic Committee is the forum for exchange of views and information on economic and monetary policy issues among EFTA
countries, between EFTA countries and the EC Commission, and between EFTA countries and third countries. It will further serve, from 1 January 1994, as an expert group on the EFTA side concerned with Economic and Monetary Policy Co-operation under the EEA Agreement.

In its bi-annual meetings, the Committee examines the economic situation and prospects in EFTA countries and advises the Council on economic, monetary and financial issues. During 1993 the Committee presented a study on "Structural features of the labour markets in the EFTA countries" and continued work carried out under its auspices on the effects of "1992" on the services sectors in the EFTA countries, to be completed in early 1994. Both studies are comparable to similar studies carried out by the EC Commission.

In 1993, the Committee met twice with representatives of the EC Commission (DG II). Exchanges of information took place on the economic situation and outlook and central issues concerning current economic and monetary policies. The EC and EFTA country experts carrying out parallel EC and EFTA studies on the effects of "1992" on the services sectors also exchanged views and information.

Co-operation between the Economic Committee and Romania and Bulgaria was initiated in 1993, following the Declarations signed with these countries in Geneva in December 1991. Meetings of the Economic Committee with counterparts from these countries were held in Bucharest and Sofia in May 1993, providing an opportunity to discuss economic policy issues of common interest. Discussions focused on the status of the reform process and the national regimes for trade and foreign direct investment.

**Committee on Technical Barriers to Trade**

The Committee on Technical Barriers to Trade (TBT Committee) held five meetings in 1993. A major part of its work was devoted to EEA matters such as co-ordinating assessment of the relevance and acceptability of new EC technical legislation (acquis) and establishing the necessary procedures for the notification of conformity assessment bodies from EFTA States within the context of the EEA.

In order to provide detailed information on specific areas of the European harmonization process, 23 expert groups have been set up under the auspices of the TBT Committee. Mutual information exchange and reporting takes place between the Committee and these groups, which have met regularly, both internally and with Commission experts and European standards organizations. The TBT Committee also held a joint meeting with the EFTA environment group in March to discuss EC/EEA legislation of common concern and to agree on the mode of future co-operation.
Two joint meetings were held with experts from the Commission in June and December in which matters related to technical regulations, conformity assessment and European standardization in the European integration process were discussed. Implementation and management of the EEA Agreement and EC action related to the internal market, e.g., follow-up to the Sutherland report, were also dealt with.

Information procedures on draft technical regulations between the EFTA States and between EFTA and the EC continued during 1993. The EC issued 385 notifications, to which EFTA submitted seven co-ordinated comments. EFTA States issued 111 notifications on draft technical regulations, of which 69 provoked comment from the EC side. In view of the result of the Swiss referendum on the EEA, the modalities for the continued participation of Switzerland in the EFTA-EC information procedure under the EEA were reviewed. Preparation for the establishment of information procedures with third countries under the respective free trade agreements also took place.

With regard to European standardization, close co-operation with the Commission and European standards organizations continued during 1993. The Committee adopted general guidelines for the role and engagement of CEN and CENELEC technical experts. About 40 new standardization mandates were issued in parallel with EFTA and the Commission in 1993. The modalities for the continued participation of Switzerland in the process of issuing EFTA mandates, following the outcome of its EEA referendum, were elaborated by the Committee. Two special sessions of the Committee were held with representatives from national standards organizations in February, and from the European standards organizations, CEN, CENELEC and ETSI in October. The Committee also prepared the necessary decisions for EFTA participation in the new European Standardization Association for Consumers (ANEC).

The Committee also agreed on a framework contract that will be concluded with the European Organization for Testing and Certification (EOTC). During a special session of the TBT Committee on conformity assessment in December, an information exchange took place with the Secretary-General of the EOTC.

During the year, the TBT Committee prepared EFTA positions concerning the implementation of the various PHARE programmes on quality assurance, such as PRAQ 91 (covering Bulgaria, the Czech Republic, Hungary, Poland, Romania and the Slovak Republic) and PRAQ 92 (covering Albania, Estonia, Latvia, Lithuania and Slovenia). The execution by CEN of these two regional programmes was closely followed.

Specific trade barriers encountered by EFTA States in trade with CEECs, as well as with other countries, were also analysed and followed up by the Committee. This was the case with, for example, the mandatory
quality control systems in Turkey and Hungary and the mandatory certification system applied by the Russian Federation.

Committee of Origin and Customs Experts

The Committee of Origin and Customs Experts met thirteen times in 1993. It devoted a substantial part of its time to the consequences of Swiss non-participation in the EEA Agreement with respect to rules of origin. Together with the Commission, the Committee worked out amendments to, and revised versions of, respectively, the EEA Agreement (Protocol 4) and the bilateral free trade agreements between the EFTA countries and the EC (Protocols No. 3). Furthermore, the Committee prepared a revised version of Annex B to the EFTA Convention.

The amendment of Protocol 4 to the EEA Agreement ensures that materials originating in Switzerland can also be incorporated in a final product for the purpose of obtaining EEA-originating status for that product.

The revised versions of the Protocols No. 3 and Annex B have been upgraded to the level of Protocol 4 to the EEA Agreement except for full cumulation. This means that a general tolerance rule of 10 per cent for all products and alternative percentage rules for chemical products have been introduced. In addition, the procedures for proofs of origin have been simplified, and there has been a relaxation of the territorial principle which means that it is now possible to add value in a third country of up to 10 per cent of the ex-works price of the final product. However, the EEA contracting parties may apply full cumulation in trade with Switzerland except in the case of processed agricultural products.

In accordance with its amended terms of reference, the Committee prepared common EFTA positions for meetings of sub-committees and interim groups on customs and origin matters with third countries with which the EFTA States have concluded free trade agreements. Furthermore, the Committee worked on a proposal for an internal EFTA arrangement for outward processing of textiles in those third countries.

The Sub-Committee on Technical Assistance and Training in Customs Matters held five meetings in 1993. Representatives of the sub-committee participated in eight sessions of the EUROCUSTOMS Management Committee. EUROCUSTOMS is a consortium of the customs administrations of EC Member States whose purpose is to provide training and technical assistance in customs matters. Moreover, a co-ordination meeting with the Baltic States and Slovenia, and a meeting with the ad hoc Group of 24 on assistance in customs matters, were held.

The main work in the sub-committee was the co-ordination and monitoring, in co-operation with the EC, of activities undertaken by
EUROCUSTOMS. EFTA countries participate in EUROCUSTOMS activities with regard to training and technical assistance in customs matters in the Baltic States, Slovenia and the Slovak Republic.

In the Baltic States, two EFTA experts were responsible for the programme in Estonia. They acted as advisers to the Director-General of Customs and assisted in different areas according to requirements. Subjects treated included the guarantee system in the international transit system, GSP, free warehousing, the accounting system, cross-border traffic, and the customs code.

Contracts regarding activities in Slovenia and in the Slovak Republic were concluded with EUROCUSTOMS, in parallel with contracts between the EC and EUROCUSTOMS. In Slovenia, the programme was launched at the beginning of October. One EFTA country held a seminar on the role of customs. In the Slovak Republic, activities started in late spring. One EFTA country held two seminars on rules of origin, and one EFTA country received a visit from Slovak customs officers to its customs investigation service.

The EFTA countries declared their readiness to participate in EC activities undertaken by EUROCUSTOMS in Albania, and to contribute with experts in seminars on measures against the diversion of "precursors", i.e., certain substances for the illicit manufacture of narcotic drugs and psychotropic substances.

As requested by the Council, the sub-committee started a fact-finding mission in order to explore the possibilities of EFTA participation in the extended PHARE Regional Customs Programme, comprising activities during a two-year period in all the PHARE countries, for example completion of legislation and procedures, training activities, border-crossing activities, fight against fraud, etc.

Group of Experts on Efficient Trade Procedures (formerly Group of Experts on Trade Facilitation)

In view of the expanded tasks of the Group of Experts on Trade Facilitation, the Council agreed at the beginning of 1993 on a new mandate and a new name for the Group, namely the Group of Experts on Efficient Trade Procedures (GEETP).

The main tasks in 1993 for the GEETP were related to EFTA participation in the TEDIS (Trade Electronic Data Interchange Systems) Programme, the work of the Western European EDIFACT (Electronic Data Interchange for Administration, Commerce and Transport) Board and its supporting bodies (technical assessment, awareness, message development groups, etc.), the work of UN/ECE/TRADE/WP.4 (Working
Party on Facilitation of International Trade Procedures) and co-operation with CEECs on trade facilitation matters.

In view of the delay in the entry into force of the EEA Agreement, the GEETP considered the consequences in the interim period of EFTA participation in the TEDIS Programme. It was noted that the bilateral agreements between six EFTA countries and the EC would guarantee the continued association of the EFTA countries with the programme. As the EFTA countries were already participating informally in the TEDIS Committee, a formal arrangement with the EC covering institutional aspects during the interim period was considered unnecessary.

The Western European EDIFACT Board Secretariat (WESEC) services the Western European EDIFACT Board (WEEB), which deals with standardization of the format of trade and administrative messages in Western Europe as part of the UN/EDIFACT process. The activities of WESEC and WEEB are financed by the TEDIS Programme, to which the EFTA countries contribute on the basis of their bilateral agreements. EFTA support includes two EFTA Secretariat staff members working in WESEC.

As the TEDIS Programme will expire in 1994, the future organization of WESEC became a major discussion item for the GEETP and the Commission Services. A decision is expected in 1994.

In autumn the Commission presented a draft mandate addressed to CEN, CENELEC and ETSI concerning EDI standardization. The GEETP commented on the draft mandate, emphasising inter alia that, considering the comprehensive nature of the UN/EDIFACT, work concerned with Western Europe should not be separated from the global work, thereby avoiding duplication of tasks, and that WEEB should decide on the funding of WESEC.

At the end of 1993, the draft mandate had not yet been adopted by the EU side. However, work on the mandate has now started in CEN, and a High-Level Group has been set up to assist CEN in its work.

The twice-yearly sessions of the UN/ECE/TRADE/WP.4 on Facilitation of International Trade Procedures took place in March and September in Geneva. A re-engineering of WP.4 was launched, and a working group was set up for this purpose. The GEETP will submit comments on the streamlining of the UN/EDIFACT process in January 1994.

The sub-group on co-operation with the Central and East European countries met twice with CEEC experts, and progress on joint projects was discussed. The intention is to achieve co-operation in preparing practical guidelines for the implementation of international recommendations in this field.
Joint activities embarked upon included the preparation of a series of booklets, the "Trader's ABC", which will cover basic practical issues for conducting foreign trade as well as the handling of payments, transport and insurance matters. Another project was the production of a guide on the implementation of EDI/EDIFACT systems.

A joint task force met in order to elaborate a concept for a co-ordinated approach to educational programmes on trade facilitation for countries in transition in this field.

The Consultative Committee

The main topics dealt with by the Consultative Committee (CSC) in 1993 concerned the EEA negotiations and the related ratification process, the consequences of non-participation by the Swiss in the EEA including the effects on the CSC's working methods, membership negotiations, growth and employment, the Uruguay Round and full EFTA participation in the Social Dialogue as envisaged under the Maastricht Treaty.

The Committee held four meetings, one in the presence of EFTA Ministers, to whom it addressed a report on the implications of economic convergence and two statements on growth and employment, one in April and one in December.

The Committee met its EC counterpart, the Economic and Social Committee, in June in Geneva, on which occasion it passed in review the outcome of the first EFTA-EC Meeting of Ministers of Economy and Finance to which the two committees had addressed a Joint Statement on Growth and Employment. It considered that because of the envisaged economic co-operation, this meeting was a first step in the right direction. It also settled outstanding matters in relation to the Draft Rules of Procedure of the future EEA Consultative Committee (EEA-CC) raised by Swiss non-participation, so that it could begin its work as soon as the EEA entered into force. The second such meeting had been planned so that it could have taken place in December had the EEA Agreement been ratified in time. Since this was not the case, the meeting was postponed to February 1994. On several occasions members of both committees availed themselves of the "osmosis procedure" which provides, on an informal basis, participation in each other's work with a view to avoiding duplication.

The Economic and Social Sub-Committee of the Consultative Committee drew up a report on the implications for the EFTA countries of the convergence criteria established under the Maastricht Treaty. This report was approved by the CSC at its 82nd Meeting in March and forwarded to the Council at ministerial level and to EFTA Ministers of Economy and Finance. Following on from the Joint Statement issued in April, the Sub-Committee drew up a further Statement which, after
approval by an open-ended Agenda Committee Meeting, was sent as input to the December Meeting of the EFTA-EU Ministers of Economy and Finance and to the Council at ministerial level in Vienna in December 1993. This document also served as a basis for the discussion at the first EEA-CC Meeting.

Under the auspices of the Working Group on Third-country Relations, two workshops were held, one in May in Vienna with the social partners from the Czech Republic and the Slovak Republic, and one in November in Budapest with the Hungarian social partners. In both cases a wish was expressed for follow-up activities. The WG decided first to conclude the round of Visegrad countries with Poland, and then follow these meetings up with a multilateral event, to respond to the wishes expressed by the individual countries.

The Working Group on Energy was entrusted with working out a discussion paper for the first EEA-CC meeting on questions related to the formulation of a European Energy Policy. The discussion will continue on the basis of a second report.

The Committee of Members of Parliament

The year 1993 was marked by important developments, both with regard to the reinforcement of relations with the European Parliament in view of the prospect of the entry into force of the EEA Agreement, and to the shaping of co-operation with the parliaments of the new democracies in Central and Eastern Europe and the Baltic states.

The Committee of Members of Parliament of the EFTA Countries (CMP) entered the preparatory phase of its structural reforms at its 30th meeting, held in Geneva in March. As a result of the negative issue of the Swiss referendum on the EEA and the consequent delay in Liechtenstein's participation in the Area, the Committee was confronted with three tasks:

- adaptation of the agreement on a "new" EFTA Parliamentary Committee, signed on 2 May 1992 in Reykjavik, to the new situation. The work included redistribution of seats among national delegations: the Swiss seats were divided between Sweden (8), Austria (8) Finland and Norway (6); the 2 seats of Liechtenstein were reallocated on a temporary basis to Finland and Iceland;

- promotion of ratification of the Protocol Adjusting the EEA Agreement by the European Parliament, as well as by each national parliament in the European Community;

- preparation of rules of procedure and programme of work for the future EEA Joint Parliamentary Committee, to be constituted after the entry into force of the Agreement and Adjusting Protocol.
During the spring, promotion of the ratification of the Adjusting Protocol by the EC's national parliaments was undertaken under the leadership of the chairman of the Committee, Mr. Nic Gröndahl. The first step consisted in sending letters to all national parliaments, followed by personal contacts between EFTA parliamentarians and members of EC national parliaments. Small delegations of the Committee visited, inter alia, Madrid, Rome, Brussels and Athens, and further contacts were pursued in the autumn. This work was very time-consuming and, being a priority, hampered other activities of the Committee.

It was agreed with the European Parliament to hold a special meeting to make preparations for the functioning of the EEA Joint Parliamentary Committee in Bergen, Norway, in June. The meeting was co-chaired by Ms. Inger Pedersen (EFTA CMP) and Mr. Gary Titley (MEP).

The Vice-President of the Norwegian Parliament, Ms. Kirsti Gröndahl, as well as the President of the European Parliament, Dr. Egon Klepsch, opened the meeting on 28 June.

In his speech, Dr. Klepsch pointed out that the EC and EFTA countries all had a common interest in ensuring political stability on the European continent and that parliamentary ties will have to be strengthened in order to enhance democratic control of the EEA Agreement. He also underlined the importance of West European involvement in the economic and social reconstruction of the CEECs.

After a presentation by Mr. Ulf Dinkelspiel, Swedish Minister for European Affairs and Foreign Trade and Chairman of the EFTA Council, the participants emphasised the importance of promoting an early entry into force of the EEA Agreement. The Agreement is considered an important element for economic recovery and reducing the level of unemployment in Europe.

The special meeting also discussed the future organization of work and the draft rules of procedure to be decided upon at the constituent meeting of the EEA Joint Parliamentary Committee.

After a substantial debate on regional policies, the parliamentarians commented on the present economic, and other, challenges related to the transition of the CEECs and the Baltic states towards market economy and democracy. The debate was based on a report by the Norwegian Minister of Trade and Shipping, Mr. Bjørn Tore Godal.

In conjunction with the main meetings, the three newly created political groups of the EFTA CMP (the Christian Democrats/Conservatives, the Social Democrats, and the Liberals and Centrists) held meetings with their like-minded colleagues from the European Parliament.

A joint meeting with EFTA Ministers was held in December in Vienna. At that meeting Mr. Haakon Blankenborg (Norway) stressed the need to
provide adequate and immediate information for EFTA parliamentarians on EC legislation drafts which would influence the legal content of the EEA in the future. He proposed a practical procedure with a view to giving the EFTA Standing Committee an opportunity to regularly seek the advice of the Parliamentary Committee, as foreseen in Article 9 of the Standing Committee's Agreement. He was supported in his proposal by the chairman of the joint meeting, Mr. Wolfgang Schüssel, Austrian Minister for Economic Affairs and Chairman of the EFTA Council, who suggested efficient guidelines for the conduct of the relationship between the Parliamentary Committee and the EFTA Standing Committee with regard to EEA matters.

The CMP's 33rd meeting, which took place on the same day in Vienna, allowed the finalization of the rules of procedure foreseen for the "new" EFTA Parliamentary Committee, which will be created simultaneously with the entry into force of the EEA Agreement.

The CMP's working groups held eight meetings in 1994. The Working Group on Budgetary Matters, under the chairmanship of Mr. Jörm Donner (Finland), scrutinized the budgets of the EFTA Surveillance Authority, the EFTA Court and the EFTA Secretariat, and issued opinions which were transmitted to the Chairman of the EFTA Council. The Working Group on Agriculture, Fish and Related Matters got acquainted with specific issues regarding the situation of agriculture in the Nordic area, as well as in Austria, in connection with the accession negotiations of the concerned countries. It also focused on the GATT Uruguay Round. The group was chaired by Mr. Johan C. Laken (Norway) until September, and thereafter by Mr. Vilhjálmur Egilsson (Iceland). The Working Group on Environmental Matters, chaired by Ms. Irmtraut Karlsson (Austria), examined inter alia the environmental EEA rules of the so-called "pipeline acquis", and enhanced its relations with the Environment Committee of the European Parliament.

Enhanced co-operation with parliaments from Central and East European countries

The CMP organized two parliamentary colloquia in 1993. The April colloquium brought together parliamentarians from Bulgaria, the Czech Republic, Hungary, Poland, Romania and the Slovak Republic, all of which have signed free trade agreements with EFTA. It was chaired in Geneva by the CMP's chairman, Mr. Nic Grönvall (Sweden). The October colloquium, chaired by Mr. Jörm Donner, who was for three months interim Chairman of the Committee, brought together guests from the parliaments of Albania, Estonia, Latvia, Lithuania and Slovenia. These countries are linked to EFTA countries by Declarations on co-operation.

Representatives of several European international organizations which traditionally co-operate with EFTA were invited to both colloquia.
The meetings reconfirmed the need to strengthen and enhance co-operation with the CEECs at parliamentary level. The colloquia avoided general political discussions and succeeded in concentrating on trade and economic issues. The necessity of having a concerted approach with the EC in order to maintain a certain parallelism in the implementation of the agreements was constantly underlined, as well as the need for a multilateralization of existing free trade relations.

The programmes of the second and third colloquia both offered possibilities for constructive discussions on country-specific matters in the framework of working groups. The items presented by the guest parliamentarians from the CEECs concerned acceleration of trade liberalization and improvement of access to Western markets, assistance in restructuring legal systems, measures for foreign investments, technical assistance and widened assistance in the fields of education and training, with special reference to the agricultural, environmental and energy sectors.

Closer inter-parliamentary contacts were also supported. Several guest parliamentarians asked for more information on the future role of the Association, as well as on possibilities of expanding the scope of co-operation.

For future action, the EFTA parliamentarians decided at their December meeting to organize another parliamentary colloquium in 1994 and to pay visits to some of the CEEC parliaments, in order to identify bilaterally their main concerns and possibilities for further co-operation.

The Secretariat

By the start of 1993, the organizational division of tasks between EFTA Headquarters in Geneva and its Brussels office was more or less complete. The Brussels office was the scene of EEA-related work while the Geneva Secretariat was charged with headquarters functions and all non-EEA matters and in particular, with relations with countries outside the EC. This division of labour was reflected in the number of staff working in Brussels, which during 1993 reached a total of 85 persons - about half the Secretariat. The Headquarters of the Association and the heads of individual departments remained in Geneva.

To accommodate the increased number of staff and scale of work in Brussels, the Secretariat moved into new premises on 74 rue de Trèves. The building, which is shared with staff members of the EFTA Surveillance Authority, includes considerable meeting space and serves as a venue for officials from the EFTA countries both for internal EFTA meetings and for meetings with EC representatives.
The nature of the work carried out in Brussels in 1993 is described in detail elsewhere in the Annual Report, but in brief it concerned preparations for the entry into force of the EEA Agreement. During the first three months of the year, representatives of the EFTA countries meeting in Brussels were preoccupied with negotiations with the EC Commission to adjust the terms of the Agreement to reflect the fact that Switzerland would not be part of the economic area. After a suitable agreement had been reached on 17 March, they turned their attention to specific measures to prepare for the EEA. Work continued in setting up an EFTA Surveillance Authority and the EFTA Court. Ratification of the Agreement and the Adjusting Protocol was completed during the year and EFTA and EC officials laid the ground for the work of the EEA Joint Committee which would administer the economic area from the beginning of 1994.

Assisted by members of the Secretariat, EFTA and EC officials identified recent EC legislation which might need to be incorporated into the EEA. This was legislation adopted by the EC since the conclusion of the EEA negotiations. Officials of the EC and EFTA met in the form of a High-Level Interim Group (the precursor of the EEA Joint Committee) once or twice a month during 1993, as did the numerous working and expert groups set up to assist them. By the end of the year, the Interim Group had reached agreement on a preliminary compilation of recent EC directives which would form the basis of the first discussions of the EEA Joint Committee when it met in the new year.

The Brussels office also attracted outside interest in 1993 and played host to almost 100 visiting groups of civil servants, journalists and students.

**EFTA statistical office in Luxembourg**

The Office of the Statistical adviser in Luxembourg (OSA), created in 1991 as a liaison office between the Statistical Office of the European Communities (Eurostat) and the statistical authorities of EFTA countries, intensified its work in the course of the year in view of the entry into force of the EEA Agreement. In spite of the delay, Eurostat offered EFTA-EEA countries full participation in its formal committees from early 1993, notably in the Statistical Programme Committee and in the Committee on Monetary, Financial, and Balance of Payments Statistics, concerning all EEA-relevant matters. With this extension, EFTA countries and the OSA had the opportunity to attend practically all of Eurostat's numerous technical groups in which EC countries are involved as participants with de facto equal rights. As a consequence, the preparation and co-ordination work of the OSA related to such meetings increased, as well as the attendance at such meetings by EFTA countries. Special attention was given to follow-up meetings where draft legal acts with EEA relevance
were discussed, and to preparing an EFTA input for such legislation at as early a stage as possible. The most important piece of EC legislation under preparation in 1993 was a draft regulation on the Community Statistical System, expected to become EU law in the course of 1994.

The formal adoption by the EC Council of the EC's multi-annual statistical programme (1993-1997) led to the subsequent preparation of a legal base for the EEA Statistical Programme in the form of a revision of Protocol 30 of the EEA Agreement for adoption by the EEA Joint Committee early in 1994. The EEA Statistical Programme 1994-1997 provides for an extension to EFTA countries of 80 per cent of the activities in the EU programme. Preparatory work to enable this extension to become effective without delay on the entry into force of the EEA Agreement included forming a consensus on the appropriate methods to define the three types of financial contributions to be paid by the EFTA side in a more precise and transparent way, as well as the recruitment of 20 additional experts from EFTA countries to work in Eurostat from early 1994 in addition to the five seconded experts already present in 1993 under the Luxembourg process. The OSA also organized, together with Eurostat, a special training course on the European Statistical System for statisticians from EFTA countries in Copenhagen.

During 1993 it was planned to include EFTA data in 24 of Eurostat's publications. Subsequently, 17 of these publications used EFTA data, including "Basic Statistics of the Community - Comparison with the Principal Partners of the Community." Of the remaining seven publications, two were not edited at all, Eurostat had technical problems with publication of the EFTA data in two others, and for the final three no EFTA data was available/transmitted. EFTA data for publications have also been added to Eurostat's various data bases. The OSA devoted great effort to co-ordination of requests for data from EFTA countries and to checking that only sources approved by EFTA countries be used in Eurostat's publications. Furthermore, by the end of the year the OSA had started to investigate the possibilities for transmission of data by electronic mail in order to facilitate and accelerate transmission of information and documents between the OSA and EFTA countries.

The joint EC-EFTA statistical co-operation programme with the Baltic States, which started in 1992, was continued. The OSA co-ordinates planning and implementation of the programme. During the year 15 seminars as well as 30 study visits and consultant missions were organized in the different fields of co-operation. The three main EFTA consultants continued their work in each of the Baltic countries. Altogether some 40 experts from EFTA countries were involved in the implementation of the programme.

The Heads of the National Statistical Institutes of the Baltic States met twice with EFTA and EC experts in order to review implementation of the
programme and to plan further action. Implementation of the separate programme for modernization of electronic data-processing equipment was started by the EC side, which made its first acquisitions in the late autumn. Preparations were made for a parallel and complementary EFTA operation to become effective in 1994.

Limited co-operation with Slovenia was started and co-operation with Bulgaria was further prepared. Preliminary requests for co-operation were made also by Albania, Poland and Romania.

Finance

For Financial Year 1993, the Council approved a budget of S.Frs 43,117,800.

The size of contributions by individual EFTA countries to the budget is determined by the relative size of their gross national product at factor costs.

Contributions to budget year 1993 in percentages

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<tr>
<th>Country</th>
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<tr>
<td>Switzerland</td>
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<td>Sweden</td>
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<tr>
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<td><strong>100.00</strong></td>
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Switzerland's contribution was reduced from 1 July 1993 to 20.71 per cent as a result of its non-participation in the EEA. The difference was shared by the other member states on a proportional basis.
APPENDIX

Meeting of EFTA Ministers in Geneva
16 June 1993

Communiqué

1. The EFTA Council met at ministerial level in Geneva on 16 June 1993 under the Chairmanship of Mr Ulf Dinkelspiel, Minister for European Affairs and Foreign Trade of Sweden. Mr Georg Reisch, Secretary-General of EFTA, also attended the meeting.

2. Ministers expressed their deep concern about the prolonged recession and especially about the unemployment situation. They underlined the continued need for concerted policy action in order to achieve throughout Europe an early recovery, sustained, non-inflationary growth and reduced unemployment.

3. They agreed that intensified integration across Europe, combined with additional efforts for trade liberalization, both in Europe and world wide, are essential requirements for the success of these endeavours. In this regard they identified five important objectives:

   - A rapid entry into force of the Agreement on the European Economic Area (EEA);
   - A need to safeguard free trade relations between Switzerland and the other EFTA States;
   - An early and satisfactory conclusion to the ongoing negotiations by some EFTA countries on membership of the European Community;
   - A coherent approach by the EFTA countries and the Community towards the countries of Central and Eastern Europe to enhance the development in the direction of a broader European free trade area, with priority given to a pan-European system of cumulation of origin;
   - A successful conclusion to the Uruguay Round negotiations by the end of 1993.

The entry into force of the European Economic Area (EEA)

4. Ministers strongly underlined the importance they continue to attach to the Agreement on the European Economic Area (EEA), as an immediate step forward in European integration with considerable positive effects on economic growth.
5. They noted with satisfaction that the EFTA countries concerned will ratify the Protocol Adjusting the EEA Agreement in line with the political commitment made by all Contracting Parties to the Agreement to do so before 1 July 1993. They called on remaining EC Contracting Parties to do their utmost to complete as soon as possible their national procedures.

6. In view of the approaching entry into force of the EEA Agreement they underlined the importance of completing jointly with the EC the preparation of the supplementary protocol to the EEA Agreement. They stressed the need for close co-operation in the examination of draft EC legislation to be added to the Agreement after its entry into force and in the preparation for the implementation of the EEA.

7. They were furthermore pleased to note that the preparatory arrangements for the institutions foreseen by the EEA Agreement on the EFTA side (the Standing Committee of the EFTA States, the EFTA Surveillance Authority and the EFTA Court) have now been completed, and that these institutions will be operational upon the entry into force of the EEA. In this context, Ministers appointed Judges of the EFTA Court and Members of the EFTA Surveillance Authority.

8. Ministers stressed the importance of safeguarding free trade relations among all the EFTA countries in spite of the non-participation of Switzerland in the EEA. For the immediate future they gave priority to further preparing the alignment of the Stockholm Convention in the field of origin rules to the level of Protocol 4 of the EEA Agreement and encouraged the European Communities to take the corresponding steps. Ministers furthermore emphasised the importance of resolving problems with regard to, inter alia, technical barriers to trade.

9. Ministers noted that the Head of Government of Liechtenstein reported on the state of preparations for the entry into force of the EEA Agreement with regard to this country. Expert talks were held with Switzerland to make the necessary adaptations of the bilateral treaty relations in view of this aim. As the next step, bilateral talks on a political level will be held in the near future.

10. Ministers emphasised the important role of the EFTA advisory bodies and also welcomed the fact that the EEA Joint Parliamentary Committee and the EEA Consultative Committee will be ready to take up their deliberations upon the entry into force of the EEA.

**Relations with Third Countries**

11. Ministers noted with satisfaction that since their last meeting in December 1992, the EFTA countries had signed free trade agreements with Hungary and Bulgaria, and transformed the agreement signed a year ago with the former CSFR into separate, but identical agreements with its two successor States, the Czech Republic and the Slovak Republic. This
brings to eight the number of EFTA free trade agreements with third countries. Ministers expressed their keen desire to see the free trade agreement with Poland implemented by that country as soon as possible.

12. They recalled the Copenhagen Conference on Economic Development in Central and Eastern Europe on April 14. The conference encouraged participants to work for further liberalization of trade with the Central and Eastern Europe countries (CEECs) as provided for by existing agreements, taking into account the advantage of coherence between the provisions of different agreements.

13. Ministers confirmed their preparedness to examine such steps towards a broader European free trade area. In that context they noted that the Community, in preparing for the European Council meeting on 21 and 22 June in Copenhagen, is discussing proposals for improved market access for the CEECs as well as proposals for an intensified political dialogue. Ministers agreed to maintain a close dialogue with the EC with a view to achieving convergence of approach.

14. To that end, Ministers reiterated the urgent need to seek an agreement with the Community and interested parties in Central and Eastern Europe, with the aim of providing for rules of origin permitting cumulation for industrial products from all the countries concerned. This would facilitate trade and industrial co-operation and be of benefit to enterprises in all participating countries.

15. Ministers welcomed the effective implementation of the Joint Declarations between the EFTA countries and eleven CEECs. Ministers recognised the need to further enhance the effectiveness of the technical co-operation activities and to examine the possibilities for co-ordination with the Community in more fields than at present.

16. Ministers noted that the relations of EFTA countries with the Baltic States have progressed in a satisfactory way. The first meetings of EFTA’s Joint Committees with the Baltic States have taken place, and the parties have agreed to continue to pursue technical co-operation in several trade-related areas.

17. Ministers underlined that the environmental dimension should not be neglected with regard to economic and social changes in Central and Eastern Europe. The findings of the "Environment for Europe" conference in Lucerne from 28 to 30 April 1993 made an important contribution towards sustainable development in these countries and in Europe as a whole.

Trade and environment

18. Ministers emphasised the importance of international co-operation in promoting sustainable development and in making trade and environment mutually supportive. They also stressed the importance of consultation
and transparency with a view to giving absolute priority to multilateral solutions and to avoiding unilateral trade measures. Ministers appreciated the work already undertaken or underway in the OECD, the UNCTAD as well as in the GATT where the Group on Environmental Measures and International Trade plays an important role. International fora should take into account the issues identified in the Agenda 21 resulting from the United Nations Conference on Environment and Development (UNCED).

**The Uruguay Round negotiations**

19. Ministers committed themselves to seek a substantial, comprehensive and balanced outcome to the Uruguay Round, crucial for boosting confidence and stimulating growth, by the end of this year, using the Draft Final Act of December 1991 as a basis for the conclusion of the negotiations.

20. To achieve this outcome, a substantial result in market access for goods and services was considered essential. A great responsibility in this respect rests with the major participants. However, success requires strong commitment from all participants, who will need to be fully involved in the process on a multilateral basis. The EFTA countries are ready to contribute actively and constructively to this process which is important for all trading nations, not least for the developing countries and the economies in transition. This would also allow governments to deal efficiently with new trade-related areas, such as trade and environment.

21. The next Ministerial Meeting will take place on 9 and 10 December 1993 in Vienna.
Meeting of EFTA Ministers in Vienna

17 December 1993

Communique

1. The EFTA Council met at ministerial level in Vienna on 17 December 1993 under the chairmanship of Mr Wolfgang Schüssel, Minister for Economy of Austria. Mr Georg Reisch, Secretary-General of EFTA, also attended the meeting.

The entry into force of the Agreement on the European Economic Area (EEA)

2. Ministers expressed their satisfaction that the Agreement on the EEA will enter into force on 1 January 1994. They also warmly welcomed the successful conclusion of the Uruguay Round. These instruments constitute a great step forward in the development of free trade and economic recovery.

3. The EEA will create the largest and most integrated market in the world, in terms of population, gross domestic product and share of world trade, in which goods, persons, services and capital will move freely. The EFTA States will participate as equal partners in the four freedoms of the EC Single Market and will deepen and broaden their co-operation with the EC in other areas such as environment, education, research and development. Ministers took note of declarations by Liechtenstein and Switzerland on the specific relationship between their countries and the EC (see paras 8 and 9).

4. Ministers recalled their statement of 16 June 1993 in which they identified the EEA as an important contribution in order to achieve a sustained recovery of the European economies. In this context, they took note of the results of the joint meeting of Ministers of Economy and Finance of the EFTA countries and the European Union held on 13 December in Brussels. Furthermore, they received a statement by the EFTA Consultative Committee on growth, competitiveness and employment which they considered to be a fruitful contribution to the solution of these urgent problems. They shared the view of the EFTA Social Partners that to combat unemployment effectively, the countries of Europe need to implement a broad and coherent strategy.
5. Ministers underlined the importance of implementing the EEA effectively as of its entry into force. The first EEA Council meeting should be held at its earliest convenience and the first EEA Joint Committee meeting without any delay. The integration into the EEA Agreement of the EC legislation adopted since July 1991 should be dealt with urgently. They also noted that all the institutions for the EEA on the EFTA side - the Standing Committee of the EFTA States, the EFTA Surveillance Authority and the EFTA Court - will be fully operational upon the entry into force of the EEA.

6. Ministers also emphasized the important role of the EEA Joint Parliamentary Committee and of the EEA Consultative Committee - composed of equal numbers of representatives from the EFTA and EU sides - in the implementation of the Agreement and noted with appreciation the contributions already made by Parliamentarians and Social Partners in the EEA context.

7. Ministers reaffirmed their commitment to actively contributing to the further development of the social dimension of European integration, to be achieved in co-operation with the social partners within the EEA framework. In this context, they particularly noted the importance of the Social Protocol of the Treaty on European Union, including the reinforced role of the social partners. They also expressed their satisfaction that the Social Partners of the EFTA countries participating in the EEA will soon take part fully in the social dialogue at European level.

8. The Liechtenstein Minister stated that after having had bilateral discussions with Switzerland, Liechtenstein is now submitting proposals on possible solutions to the EEA partners with a view to becoming a Party to the EEA.

Ministers expressed their hope that the EEA Agreement would enter into force for Liechtenstein as soon as possible.

9. Ministers also heard a statement by the Swiss Minister on the ongoing negotiating process with the EC. They expressed their readiness to secure trade relations with Switzerland in spite of Switzerland's non-participation in the EEA Agreement. Ministers noted with satisfaction that negotiations on the modification of the rules of origin in relation to Switzerland with a view to preserving free trade to the greatest extent possible between the EFTA States and the EC were finalized. They hoped that these rules could enter into force together with the almost identical rules of the EEA Agreement on 1 January 1994 and would later be further improved.

Relations with Third countries

10. Ministers underlined the importance of closer economic co-operation and an increased scope for free trade in an overall European context. In this regard, Ministers expressed their satisfaction that the eight free trade
agreements negotiated between 1991 and 1993 are now in operation. They underlined the need for efficient implementation of these agreements and the important role of the Joint Committees which exist between EFTA and each partner country. They noted with appreciation the work already undertaken by these Committees in their meetings during 1993.

11. They underlined that - as far as the countries of Central and Eastern Europe are concerned - the EFTA free trade agreements cover the same countries as the "Europe" Agreements of the EC and that their content is similar to the trade provisions of the latter, as the result of a parallel approach between EFTA and the EC.

12. Ministers looked forward to the exploratory talks to begin early in 1994 between the EFTA countries and Slovenia which might lead to the conclusion of a free trade agreement. They noted in this context that the EC had recently started exploratory talks with Slovenia with a view to a possible Association Agreement.

13. Ministers welcomed the continued co-operation activities under the Joint Declarations with eleven Central and East European countries. They noted that in order to ensure the proper functioning of the free trade agreements such technical co-operation now covers all the free trade partners. They encouraged the continuation of the close co-operation with the EC under the PHARE programme in providing technical assistance to Central and Eastern Europe.

14. Ministers once again stressed the importance of finding agreements, together with the EC and the countries of Central and Eastern Europe concerned, on rules of origin in the free trade agreements permitting full cumulation for industrial products and thus expanding free trade between all parties concerned (pan-European cumulation).

15. Ministers recalled with appreciation the fruitful meeting they held on 16 December in Vienna with the Committee of Members of Parliament of the EFTA countries. They noted the intention of the Committee to continue its co-operation with parliamentarians from EFTA's partner countries in Central and Eastern Europe.

The Uruguay Round in GATT

16. In welcoming the successful conclusion of the Uruguay Round, Ministers expressed their conviction that the result would benefit the EFTA countries as well as all other trading nations, including developing countries and economies in transition. This would be achieved through substantial tariff reductions in industrial goods, improved access and new disciplines for agricultural products and trade in services, new disciplines for trade related aspects of intellectual property rights and investments as well as strengthened and improved rules in, inter alia, anti-dumping,
subsidies and dispute settlement. Ministers underlined the complementary relationship between trade liberalization at the regional and global level. Ministers were aware that important work for the new world trading system still lies ahead. They emphasized in this context new fields such as trade and environment.

17. The next Ministerial Meeting will take place on 21 and 22 June 1994 in Helsinki.
EFTA - EU Ministerial Meeting in Vienna

17 December 1993

Joint Press Release

1. Ministers of EFTA States, and Mr. Willy Claes, Minister of Foreign Affairs of Belgium and President of the Council of the European Union, and Mr. Hans van den Broek, Member of the European Commission in charge of External Political Relations, met in Vienna on 17 December. Mr. Georg Reisch, Secretary-General of EFTA, also participated in the meeting.

2. Ministers noted with great satisfaction that ratification and approval of the Agreement on the European Economic Area (EEA) had been completed, thus securing the entry into force of the Agreement on 1 January 1994. The EEA represents an important contribution to European integration and the creation of the world's largest and most integrated market, which extends to over 370 million Europeans. Goods, services, capital and persons will move freely throughout the EEA, on the basis of non-discrimination and equal treatment of individuals and economic operators. Ministers underlined the dynamic character of the Agreement as it will be developed in parallel with relevant EC legislation relating to the internal market.

3. Closer co-operation in a large number of policy areas such as environment, education, research and development, social policy and consumer protection will provide further important benefits to all EEA citizens.

4. At a time of serious economic and social problems in Europe, the EEA Agreement will provide an important stimulus to economic growth and increased employment. It therefore will contribute to the paramount goal of the action plan to combat unemployment adopted by the European Council on 10-11 December 1993, based on the Commission's White Paper on Growth, Competitiveness and Employment. Continuous consultations and policy co-ordination among the EFTA and EU States will enhance the coherence of the economic and social policies within a wider European context. Ministers therefore welcomed the recent joint meeting of EFTA and EU Ministers of Finance and Economy.
5. Ministers welcomed the successful conclusion of the Uruguay Round and expressed their conviction that the result will benefit the EU and EFTA States and all trading countries, including developing countries and economies in transition. The benefits will be achieved through substantive tariff reductions in industrial goods, improved access and new disciplines for agricultural products and trade in services, trade related aspects of intellectual property rights and investments as well as strengthened and improved rules in, inter alia, anti-dumping, subsidies and dispute settlement. Ministers underlined the complementary relationship between trade liberalization at the regional and global level.

6. With regard to the EEA Agreement Ministers noted with satisfaction that preparations for joint EEA and internal EFTA institutions had been carried out. The EEA Council will, at political level, hold its first meeting in early 1994. The EEA Joint Committee will hold its constituent meeting in January. One of the first tasks of the EEA Joint Committee will be to adopt an additional package of EC acquis adopted after July 1991 of relevance to the EEA. As from the entry into force of the EEA Agreement the EFTA countries will, through the information and consultation procedures provided for in the Agreement, participate actively in the decision-shaping process of future legislation of relevance to the European Economic Area in order to prepare for the decisions to be taken by the EEA Joint Committee.

7. The EEA Joint Parliamentary Committee and the EEA Consultative Committee will hold their constituent meetings in early 1994.

8. Ministers recognised their joint responsibilities in assisting the Central and East European countries in their restructuring efforts and welcomed the parallel agreements of EC and EFTA, liberalizing trade with these countries.
European Free Trade Association 1993

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Finland:         Antti Hynninen
Iceland:         Kjartan Johannsson
Liechtenstein:   Andrea Willi (until 15.12.1993)
                 Norbert Frick, Chargé d'affaires a.i. (from 16.12.1993)
Norway:          Erik Selmer
Sweden:          Christer Manhusen
Switzerland:     William Rossier

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- Committee of Origin and Customs Experts
- Group of Experts on Efficient Trade Procedures
- Committee of Trade Experts
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- Committee of Members of Parliament
- Steering Committee for the Portuguese Fund
- Budget Committee
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