



A SHORT INTRODUCTION TO 50 YEARS OF EFTA

▼ The History

The [European Free Trade Association \(EFTA\)](#) was founded on the premise of free trade as a means of achieving growth and prosperity amongst its Member States as well as promoting closer economic cooperation between the Western European countries.

The [origin](#) of EFTA is well-anchored in the overall context of European integration. The seven founding members – Austria, Denmark, Norway, Portugal, Sweden, Switzerland and the United Kingdom – began exploring the idea of a free trade agreement amongst themselves in early 1959, in response to the formation of the European Economic Community (EEC) in 1958. The resulting EFTA Convention was agreed in Stockholm in November 1959. It entered into force on 3 May 1960.

The [Stockholm Convention](#) established a framework with certain guiding principles and a set of minimum rules and procedures to be applied, with details focused on provisions for tariff reductions and the elimination of quantitative restrictions, as well as on rules of origin. Within this framework and in line with a similar process taking place in the EEC, tariffs on industrial goods traded between the EFTA countries – with few exceptions – were abolished from 1967. Quantitative restrictions were removed in 1965.

In 1999, the EFTA Ministers decided to initiate an updating of the Stockholm Convention to reflect the increasing importance in the global economy of trade in services, foreign direct investment and intellectual property rights. The agreement amending the EFTA Convention, the [Vaduz Convention](#), was adopted in 2001. The revised Convention has strengthened the cohesion in economic relations among the EFTA Member States and provides an enhanced common platform for developing their relations with trade partners around the world.

[EFTA](#) has seen several changes in membership. Finland became an associate member in 1961 and a full member in 1986. Iceland joined in 1970 and Liechtenstein in 1991. Denmark and the United Kingdom left EFTA to become members of the European Communities (EC) in 1973. Portugal joined the EC in 1986 as did Austria, Sweden and Finland in 1995.

▼ EFTA-EC Relations

In parallel with the EC accession of Denmark and the United Kingdom, a series of [bilateral free trade agreements](#) were negotiated between the other EFTA States and the EC in the early 1970s, most of which came into force in 1973. These ensured that by mid-1977, duties on virtually all trade in industrial products between EFTA and the EC were eliminated.

In response to concerns relating to European competitiveness in the early 1980s, a first meeting at Ministerial level between the EFTA States and the EC was held in Luxembourg in 1984 to explore possibilities for further enhancing economic cooperation in Western Europe. The resulting [Luxembourg Declaration](#) laid down a



programme for the development of future European economic cooperation which would become the largest free trade system in the world.

In January 1989, in a speech before the European Parliament, Jacques Delors, the then President of the EC Commission, proposed “a new, more structured partnership, with common decision-making and administrative institutions” with the EFTA States. The EFTA States declared themselves ready to initiate negotiations with the Community leading to “the fullest possible realization of free movement of goods, services, capital and persons, with the aim of creating a dynamic and homogeneous European Economic Space”.

Negotiations began in 1990 on the renamed [European Economic Area \(EEA\)](#). The Agreement was concluded in 1992 and entered into force on 1 January 1994 for the EU States and for Austria, Finland, Iceland, Norway and Sweden. Switzerland, however, following a rejection of EEA membership in a referendum in 1992, proceeded to conclude two sets of bilateral agreements with the EU in 1999 and 2004. Liechtenstein became a member of the EEA on 1 May 1995. Since the accession of Austria, Finland, and Sweden to the EU in 1995, three EFTA States have thus been participating in the EEA: Iceland, Liechtenstein and Norway.

▼ The EEA Agreement

The [EEA Agreement](#) has now been in operation for fifteen years. It extends the Internal Market of the EU to Iceland, Liechtenstein and Norway. As a result of the EEA, economic operators in the EEA EFTA States can conduct their business under the same legal framework and are subject to the same rights and obligations in areas covered by the Agreement as operators in the EU States. In order to achieve the goal of a homogeneous single market, the Agreement provides for the incorporation of new EU Internal Market acquis – the EU’s rules and regulations – into the EEA through amendments to its numerous annexes and protocols. Since its entry into force, more than 5000 new legal acts have been incorporated into the EEA, in addition to the original 1500 acts.

The EEA Agreement also provides for cooperation on “flanking and horizontal issues” such as environment and for the participation by the EEA EFTA States in various EU programmes. The Agreement does not, however, include areas such as the EU’s common policies on external trade, agriculture and fisheries, monetary union or security and foreign affairs.

An elaborate institutional framework known as the two-pillar system was established to manage the Agreement. This includes a set of common institutions – the ministerial-level EEA Council, the EEA Joint Committee of senior officials, and subcommittees and working groups of officials and experts – and two autonomous EFTA institutions: the EFTA Surveillance Authority (ESA) to monitor compliance of EEA rules by the EEA EFTA States, and the EFTA Court, which plays a role vis-à-vis the EEA EFTA States comparable to that of the European Court of Justice in the EU’s Internal Market.

The EEA Agreement contains provisions for input from the EFTA side before new legislation is adopted. Input can take the form of participation of EFTA experts in EC committees or the submission of EFTA comments and the adoption of resolutions responding to Commission initiatives. These so-called “decision shaping” mechanisms are



an important element of the EEA for the EEA EFTA States, as the Agreement does not grant them access to the decision-making phase in the EU.

The advance of the EU enlargement process has had a considerable impact on the EEA. The Agreement provides that any state becoming a member of the EU shall apply to become a party to the EEA. The EFTA States thus closely followed the negotiations on EU enlargement to Central and Eastern Europe, and the enlargement of the EEA took place simultaneously with EU enlargement in May 2004. Negotiations on EEA enlargement to Romania and Bulgaria were concluded in July 2007.

Key issues in the EEA enlargement negotiations concerned substantial increases in the financial contributions for assisting the new EU Members to reduce social and economic disparities, and compensation for reduced market access for the EEA EFTA States in trade in fish and marine products. In order to manage the contributions, an autonomous Financial Mechanism Office (FMO) administratively linked to EFTA was established to handle the bulk of the approximately €1.3 billion contribution from the EEA EFTA States for the 2004-2009 period. Agreement on a new financial mechanism for the 2009-2014 period was reached at the end of 2009, providing for an annual contribution from the EEA EFTA States of €357.7 million.

▼ EFTA's Free Trade Network

EFTA's trade strategy vis-à-vis third countries has progressively evolved, moving beyond the European continent to comprise today one of the world's largest networks of free trade relations.

The first free trade agreement negotiated by the EFTA States as a group was with Spain. This entered into force in 1980 and came to an end in 1985 upon Spain's accession to the EC. In 1990, in response to initiatives by the EC to conclude agreements aiming at free trade in industrial goods with the [transition countries of Central and Eastern Europe](#), EFTA Ministers decided to build EFTA's own network of free trade agreements in parallel to the EC. In a first phase, the EFTA States entered into agreements with Poland, Romania, Bulgaria, Hungary, and the Czech and Slovak Republics. Negotiations were also launched with Israel and Turkey.

In 1995, EFTA Ministers turned their attention to free trade relations [beyond the confines of Europe](#), to maintain a policy of parallelism and coherence with those of the EU, taking into account the "Barcelona process" launched by the EU in 1995. Declarations on Cooperation with Egypt, Tunisia, Morocco, the Palestinian Authority, Jordan and Lebanon were in place by 1997, all of which have since developed into free trade agreements. Extension of EFTA's network in Central and Eastern Europe continued simultaneously with Slovenia and the three Baltic States, Latvia, Lithuania and Estonia, followed by Macedonia and Croatia. As a result of the enlargement of the EU in 2004 and 2007, the free trade agreements in place with the EU accession countries were replaced by the relevant arrangements between the EFTA States and the EU.

A [third phase in EFTA's third-country relations](#) began when the EFTA States opened negotiations with Canada in 1998. Since then, EFTA has extended its network to encompass countries in Latin America, Asia and Africa. EFTA has also expanded the scope of its agreements to cover trade in services, investment and/or public procurement,



as in the case of the agreements with Chile, Colombia, the Gulf Cooperation Council, Mexico, the Republic of Korea, and Singapore. Furthermore, several of EFTA's free trade agreements provide for technical assistance related to the promotion of trade and investment.

To date, EFTA has signed 20 free trade agreements with 29 countries, in chronological order: Turkey, Israel, Morocco, Palestinian Authority, Macedonia, Mexico, Jordan, Croatia, Singapore, Chile, Lebanon, Tunisia, Republic of Korea, SACU (Botswana, Lesotho, Namibia, South Africa, Swaziland), Egypt, Canada, Colombia, the Gulf Cooperation Council (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates), Albania and Serbia. At the time of writing, an FTA with Peru has been finalised and negotiations are ongoing with 5 partners (Algeria, Hong Kong China, India, Thailand and Ukraine). Exploratory talks are being conducted with several other countries, notably Russia, Indonesia, Malaysia and Vietnam.

Combining the contractual frameworks with the EU and the free trade agreements with third countries, approximately 80% of EFTA's total merchandise trade is today covered by preferential arrangements, with the EU accounting for more than 70%.

All the EFTA States are members of the WTO and attach the highest priority to a well-functioning global trade system. In EFTA's view the multilateral and bilateral approaches are mutually supportive.

▼ Contacting EFTA

For more information about EFTA and its activities, please visit our website, www.efta.int.

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