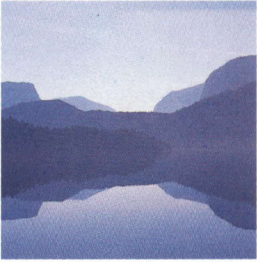


# THE EUROPEAN ECONOMIC AREA



Europe  
on the move



**F**rom 1 January 1993, the 19 nations of the European Community and the European Free Trade Association (EFTA) will form the world's biggest integrated market. The European Economic Area (EEA) will stretch from the Arctic to the Mediterranean and include 380 million consumers.

The EEA will extend to the seven EFTA States — Austria, Sweden, Finland, Norway, Iceland, Switzerland and Liechtenstein — the four fundamental freedoms of the EC. These are the free movement of goods, services, people and capital.

At the root of the EEA was the idea to enable the Community's EFTA neighbours to enjoy the benefits of the EC's post-1992 single European market. In return, the EFTA States would accept the rules of the single market.

Although the combined population of the EFTA countries is only one-tenth of that of the Community, EFTA and the Community are each other's most important trading partner. The EC takes 58% of EFTA exports while EFTA represents 26% of Community exports, compared with 17% sold to the USA.

The EEA is seen by a number of EFTA countries as a first step towards full EC membership. Austria, Sweden and Finland have already applied to join; others may follow.

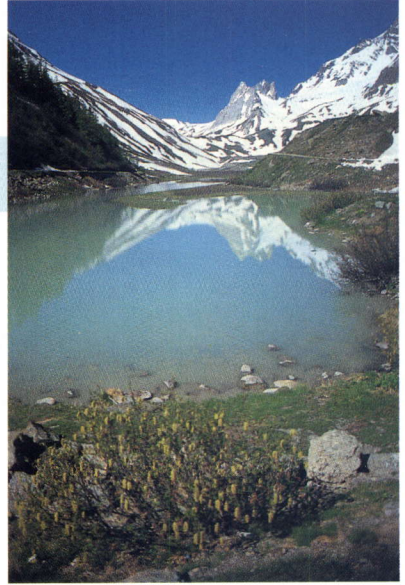
*'Competition will increase in importance within Europe now that we have reached an agreement on the creation of the European Economic Area. Together, the EC and EFTA account for almost half of world trade. In 1990, they made up 47.2% of total exports and 46.6% of imports. Most of this trade is carried out with each other: in 1990, 68% of the EEA trade was internal.'*

Sir Leon Brittan,  
Vice-President of the  
Commission of the  
European  
Communities

*The European Economic Area unites large parts of the Austrian and Swiss Alps in the European Community.*

## AN UNSTOPPABLE MOVEMENT

The immediate catalyst for the creation of the EEA was an invitation to the EFTA countries from Jacques Delors, the President of the European Commission, at the beginning of 1989, to open negotiations with the Community. This was a concrete response to fears expressed by the EFTA countries that they might be put at a disadvantage by the creation of the Community's single market. But the drive for closer links between the two groups goes back much further.



door to cooperation in all areas of mutual interest.

The launch of the Community's single market programme in 1985 gave EC-EFTA relations a new significance. After President Delors' invitation at the beginning of 1989, formal negotiations for the EEA began in June 1990 and were completed in February 1992. The 1 200-page Agreement will come into force on 1 January 1993 once it has been ratified by the European Parliament, and the national parliaments of EC and EFTA Member States. The Swiss people will also have to approve the Agreement by referendum.



*Stockholm, a modern northern capital built on water, is coming closer to the European Community — just like Oslo, Helsinki, Reykjavik, Berne, Vaduz and Vienna.*

EFTA was created in 1960 by those European States who hesitated to accept the degree of integration required by EC membership. When former EFTA countries Britain and Denmark joined the Community in 1973, the Community negotiated individual free trade agreements with each of the remaining EFTA countries.

When full implementation of the free trade agreements had been achieved on 1 January 1984, the EC and EFTA felt the need to expand cooperation. This initiative culminated in what became known as the Luxembourg Declaration of 1984 which opened the



# A UNIQUE AGREEMENT

## The new freedoms

The EEA will bring about a dramatic change in the quality of relations between the Community and the EFTA countries. Existing free trade agreements provide mainly for the abolition of customs duties and quantitative restrictions in trade and industrial goods. The EEA Agreement also removes other trade barriers and adds in the free movement of people, capital and services as well. These freedoms will be achieved through the application by the EFTA countries of the



Community's legislation, subject to specific adaptations, transitional periods and — in some cases — derogations. In order to ensure equal conditions of competition throughout the EEA, the EFTA countries will also take over the Community's competition

65% of EFTA's trade is with the European Community. Some 25% of the EC's trade is with EFTA countries: Austria, Switzerland, Liechtenstein, Sweden, Norway, Iceland and Finland. A major part of this trade is carried by rail.

## The European Economic Area (EEA) in figures

	Area (1 000 sq. km.)	Population (million)	Gross domestic product (GDP) in PPS <sup>1</sup>	Per capita GDP in PPS <sup>1</sup>	Level of unemployment as % of active population	Inflation rate (1989/90)
B	30.5	9.9	180.4	19 091	8.1	3.5
DK	43.0	5.1	100.9	19 814	7.9	1.9
D	248.6	79.3	1 276.9 <sup>2</sup>	21 131 <sup>2</sup>	5.1 <sup>2</sup>	2.8 <sup>2</sup>
GR	132.0	10.0	94.1	9 850	7.5	22.8
E	504.8	38.9	526.6	14 556	16.1	6.5
F	549.0	56.3	1 114.1	20 207	9.0	3.4
IRL	70.2	3.5	41.1	12 819	15.6	—
I	301.3	57.5	1 086.6	19 187	9.8	6.6
L	2.6	0.4	8.1	24 303	1.6	4.4
NL	41.5	14.9	276.0	19 147	8.1	2.7
P	92.1	10.3	90.2	10 369	4.6	13.7
UK	244.1	57.4	1 092.2	19 726	6.4	9.3
<b>EC</b>	<b>2 259.8</b>	<b>343.5</b>	<b>5 752.1</b>	<b>17 857</b>	<b>8.4</b>	<b>5.7</b>

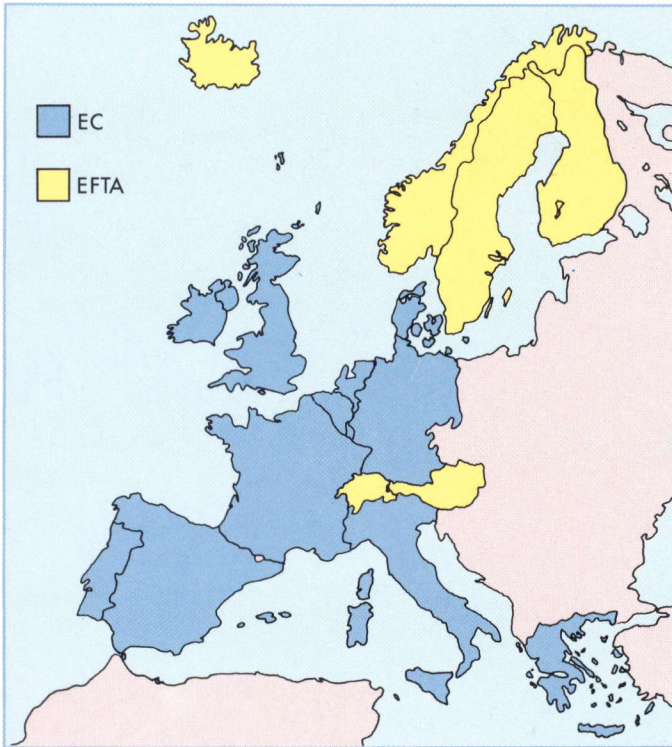
A <sup>3</sup>	83.9	7.7	142.6	18 615	3.2	3.5
SF	338.1	5.0	100.7	20 140	3.4	4.9
IS	103.0	0.3	5.6	21 828	1.4	—
FL	0.16	0.3	0.9	31 817	—	—
N	323.9	4.2	96.0	22 679	5.2	4.4
S	450.0	8.5	178.5	20 936	1.5	10.9
CH	41.3	6.7	165.2	24 308	2	5.3
<b>EFTA</b>	<b>1 340.2</b>	<b>32.3</b>	<b>688.7</b>	<b>21 291</b>	<b>2.7</b>	<b>—</b>

<sup>1</sup> PPS = Purchasing power standard (a common unit representing an identical volume of goods and services for each country.

The PPS enables people's real purchasing power to be measured and countries to be compared).

<sup>2</sup> Without the former German Democratic Republic.

<sup>3</sup> A = Austria, SF = Finland, IS = Iceland, FL = Liechtenstein, N = Norway, S = Sweden, CH = Switzerland.



rules and create an independent EFTA surveillance authority and an EFTA court.

The free movement of goods implies that technical barriers to trade will be removed as the Community's legislation concerning norms and standards will, with minor exceptions, apply throughout the EEA. Among further liberalizing measures, EFTA countries will abolish any discrimination by monopolies and open up contracts by public sector organizations on the

basis of Community rules. The EEA is not a fully integrated customs union like the EC itself. Free movement applies only to goods originating within the EEA and not to goods imported from outside. Border controls between the EC and EFTA countries can therefore not be removed, but they will be simplified as much as possible. Special arrangements have been negotiated to cover sensitive sectors such as fisheries and trade in agricultural products.

In the services sector, the corner-stone of single market legislation — the 'single passport' — is extended to firms and organizations in the EFTA countries. An EFTA bank will, for instance, be able to trade throughout the EEA from its headquarters in Switzerland or Sweden, on the basis of a single licence issued by its home country regulatory authority. Besides banking, the services covered by the EEA include other financial services, telecommunications and information services. The Agreement also covers transportation, one of the most sensitive items in the negotiations because of the issue of Alpine transit traffic between the north and south of the Community via Switzerland and Austria.

In the area of capital movement, any discriminatory restrictions will have to be abolished to ensure that the conditions for investments and capital transfers are the same for all nationals and companies established throughout the EEA.

Regarding workers and self-employed people, the EEA Agreement gives them the right to move and establish themselves freely within the Community. Their diplomas will be recognized. Non-discrimination will apply throughout the EEA, including the area of social security.





Apart from the free movement of goods, persons, capital and services, cooperation will cover so-called horizontal and flanking policies (e.g. company law, research and development, the environment, consumer protection, and social policy).

#### **A financial mechanism**

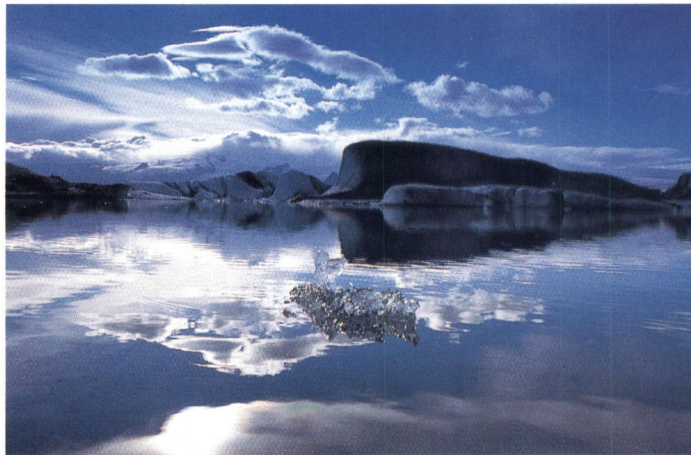
The EEA Agreement foresees ways and means to reduce regional disparities with a view to ensuring an overall balance of benefits for all the Contracting Parties.

In addition to appropriate provisions on agriculture and fisheries specifically designed for this purpose, the EFTA States will establish a financial mechanism to provide assistance to regions in Greece, Portugal, Spain and Ireland under Objective 1 of the Community's structural Funds, in the form of interest rebates on loans (ECU 1 500 million) and grants (ECU 500 million) between 1993 and 1997.

#### **The EEA institutions**

The EEA Council will be responsible for giving the political impetus and guidelines for the implementation and the future development of the EEA Agreement. It can also take the political decisions leading to amendments of the Agreement.

*Agreement on the European Economic Areas is an important step towards extending the European Community right up to North Cape.*



The EEA Joint Committee will be charged with the effective implementation of the Agreement and will, in particular, take the decisions on the extension of new Community legislation to the EEA. Decisions will be taken by consensus between the Community, on the one hand, and the EFTA States on the other.

The EEA Parliamentary Joint Committee is composed of equal numbers of Members of the European Parliament and members of parliaments of the EFTA States. It may express its views in the form of reports or resolutions. The President of the EEA Council may appear before the EEA Joint Parliamentary Committee in order to be heard by it.

The EEA Consultative Committee, composed of equal numbers of members of both sides, will bring together social partners. This Committee may express its views in the form of reports or resolutions.

## A LANDMARK FOR THE FUTURE

The EEA is an important element of the Community's proposed new European architecture to be put in place following the dramatic geopolitical changes in Europe since 1989.

The EEA can stand on its own as an alternative to EC membership for EFTA countries. But it is perceived by some of them as a prelude to full Community membership. Jacques Delors has described it as a trial run for those seeking to join the EC.

The fact that under the EEA treaty EFTA countries are consulted on single market legislation but cannot vote on EC laws led a number to consider that their interests would be best served by full membership.

As things stand, the EEA provides for EFTA countries to incorporate into their national laws some 10 000 pages of existing EC legislation. Most items to be covered by a full membership negotiation have been settled through the EEA.

Austria, Sweden, Finland and Switzerland have already asked formally to join. The Swiss Government announced mid-May 1992 that it would shortly make a formal application to join the EC. Norway is expected to take a stand on EC membership during 1992.

*'From January 1993, the EEA will have a market of some 380 million consumers stretching from the Arctic to the Mediterranean, in which the Community's fundamental freedoms of movement will be implemented to the largest extent possible and in which EFTA will be closely involved in any new Community initiatives.'*

*Sir Leon Brittan,  
Vice-President of the  
Commission of the  
European  
Communities*





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