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EFTA: IS IT THE END OR THE RENEWAL?

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For more than thirty years, EFTA was rather neglected in the European spectrum. EFTA lived in the shade of the EC though the EC was seductive enough to deprive EFTA from some of its founding members. Indeed, the organization has suffered from successive defections. One should rather consider EFTA as a stepping stone for further membership. But EFTA constantly redeployed the framework of its relations with the EC. Both organizations are moving towards further developments. They have to accommodate to each other changes but the process cannot take long as EFTA is to pressure upon the EC before "1992" to negotiate for a European Economic Area (EEA).

The EC is on the threshold to achieve its internal market and set up an economic and monetary union as well as a political union. Some questions about its institutional structure are to be solved. The EC has to clarify its internal debate between widening or deepening; with the tremendous changes in Eastern Europe, the issue is even more important. Within the EC, the relations with EFTA are submitted to a vigorous debate and the European Parliament is exerting its influence. For EFTA as well, the recasting is a challenging issue. Negotiating with the EC was EFTA's main purpose and absorbed most of its energy. Yet, the EC is still attracting the outsider. Since 1984, EFTA has undertaken deep changes to meet the EC demands. EFTA multiplied its endeavours after Jacques Delors' speech advocating a structured partnership. From an organization eschewing any coordinated approach, EFTA has to transmute into a structured body whose members share a strong determination to negotiate a collective agenda for the EEA. It might be difficult to deal with as the EFTA members have particular economic and political interests to formulate. It might be even more difficult as the negotiations on the EEA were delayed. They were to end by mid-1990; they are still on and the outcomes are quite uncertain.

Furthermore, EFTA is located between East and West. Some of EFTA countries are inextricably intertwined with Eastern Europe. As a matter of fact, the Eastern dimension is embodied in the EC-EFTA negotiation on the EEA. It could be a positive or a negative asset as the EC is interested to freeze some disturbing arrangements; the EC main interest being to reinforce its integration process. EFTA is facing many issues at the same time. There are still some questions about its future as Austria has applied for membership and Sweden could do so in the near future. EFTA with its neutral members could prejudice the EC integration process. Yet, neutrality is submitted to endless discussions. EFTA is at a

turning point. Its own existence is under debate and it is a paradox that while negotiating such a substantial agreement with the EC; EFTA seems so jeopardized. Nevertheless, it would be rash to predict EFTA's future as the environment is fast moving.

1. EFTA: From an association of individual members towards a collective instrument.

Some of the problems of EFTA is experimenting are rooted in the evolution of the EC-EFTA dialogue. It remains present in the structure EFTA acquired and the continuous attraction the EC exerted upon EFTA. EFTA and the EC came from the same cell, the OEEC (The Organization for European Economic Co-operation). Most of European countries even if they were neutrals joined the OEEC without reserves bar Spain and Finland. Switzerland opted for a middle way and took care to clarify that its membership would by no means imply to compromise its external trade policy. The genuine cell divided with two distinctive patterns of integration.

EFTA: An uncertain pace.

The first clan led by France felt the need for a more ambitious framework. France seek a way to control the Federal Republic of Germany and in this regard, a supranational control was a optimizing way<sup>1</sup>. When the European Coal and Steel Community was created in 1952, the High Authority was already an independant body which could impose some constraints on member countries<sup>2</sup>. This approach was confirmed with the EC in 1958. EFTA was an British-led alternative to the EC, had a limited scope of integration mainly a free trade area and was not contraving for its member countries: the United Kingdom, Austria, Denmark, Norway, Portugal, Sweden and Switzerland. EFTA opted for a functional cooperation designed to ensure trade in industrial goods. Since its creation EFTA gave path to realignments. Some of its member countries left EFTA to join the EC whereas some other countries enrolled into EFTA. Iceland moved slowly to forge ties with EFTA and finally joined in 1970. Finland was even more reluctant; its main concern was Eastwards. Finland participated as an observer in the negotiations for the Stockolm Convention; became an associate member in 1961 before being a full member in 1986.

In ten years time, EFTA lost three of its members. The UK applied for membership in 1961 and effectively joined the EC in

1973 after de Gaulle's resignation ended French opposition. Ireland and Denmark were to follow. Sweden and Austria rejected the idea of membership for an association status. Norway's rejection in a 1972 referendum on EC membership ended its prospective entry into the EC. Switzerland maintained the option opened. After the United Kingdom applied for membership, Switzerland asked for an associate status which was never seriously considered by the Commission<sup>3</sup>. Portugal left the Association at the end of 1985 to join the EC but kept some provisional arrangements with EFTA before being fully integrated in the EC in 1996. EFTA expressed understanding of Portugal's motivations in joining the Community. Furthermore, EFTA benefited of Portugal's entry into the EC as customs duties on imports were suspended and the ad valorem duty was abolished<sup>4</sup>.

From the free trade agreements to the European Economic Area

EFTA never aimed to develop an ambitious role neither internally nor externally. Its main purpose was to negotiate with the EC. The free trade agreements signed bilaterally between the EFTA countries and the EC were fruitful as they included an evolutive clause, with the exception of Finland. In 1977, after the last tariffs were removed, EFTA's main concern was to go beyond the free trade area and "to ensure that the advantages deriving from free trade are not jeopardized as a result of diverging economic developments and policies". EFTA called for a intensified co-operation within EFTA and for closer contacts and co-ordinated action between EFTA and the EC<sup>5</sup>.

The Declaration of Luxembourg in 1984 reinforced the EC-EFTA cooperation and launched the idea of an EEA, still vague though but set a broad agenda including the dismantling of the non-tariff barriers and the co-operation in various fields such as research and developments, environment and telecommunications. In the short run, EFTA would keep its loose structure. The Secretary-General of EFTA, Per Kleppe, made clear in 1985 that:

"EFTA is still a consensual organization and will not become a community with supranational structures. It leaves more of the decision-making to the national administrations. Most of EFTA countries seem to have a preference for bilateral rather than multilateral co-operation. The EFTA countries cannot be expected to act as a "group" in the formal sense"<sup>6</sup>.

But things were slowly changing. EFTA had to defend more coordinated positions in the High-level Contact group established

after the Luxembourg Summit. The difficulties emerged in 1985 with the publication of the White paper. On the political side, The EC was concentrating its efforts on its integration process and that affected the co-operation between EFTA and the EC. The EC impuled EFTA to bring about some changes in reinforcing its negotiating power. On the economic side, the EFTA countries might find themselves marginalized<sup>7</sup>.

At the end of 1986, the EFTA consultative committee advocated EFTA to be the principal platform for multilateral negotiations. The first achievement of EFTA as a group dates back in 1987 when two conventions were signed between the EC and EFTA: the Single Administrative Document for all trade and the Common Transit Procedure which for Customs purposes covered all trade between the EFTA countries and the EC and all trade between the EFTA countries themselves, to be implemented from 1 January 1988<sup>8</sup>. In the same time, the EEA was given consistency. The Interlaken joint meeting between EFTA and the EC listed new areas of co-operation and the Tampere meeting highlighted the results to be reached in the short run: "exchange of notifications on technical regulations; the mutual recognition of test results and certification, the improvement and simplification of the origin rules; the uniformization of jurisdiction and the free movement of judgements implemented in the Lugano conference in September 1988<sup>9</sup>.

Still the Commission imposed new conditions and set the limits of the co-operation. In 1987, the Commission made clear that "there was an important space for co-operation. But, any co-operation would not allow for non-members countries to originate or participate in the decision-process"<sup>10</sup>, Willy de Clercq stated three guiding principles for the EC: priority for internal EC integration, decision-making autonomy for the EC, costs and benefits are shared equally. Whatever endeavours EFTA could carry about, the EC would not allow the EFTA countries to participate in the decision process unless they become members<sup>11</sup>.

There were some resentments in the EFTA countries whether the EC was truly committed in the EFTA-EC co-operation or was becoming a "Fortress Europe"<sup>12</sup>. Some countries seriously considered to apply for membership<sup>13</sup>. Switzerland developed at that time a third way between marginalisation and membership which would create all the conditions for improving the participation into the Internal market to avoid joining: that is to harmonize or adopt the community legislation, to multiply the bilateral and multilateral contacts between Switzerland and the EC<sup>14</sup>.

Jacques Delors's speech to the European Parliament on 17 January 1989 spurted in a troublesome environment. He pointed out that:

Our relations with the EFTA countries at both multilateral and bilateral level need to be highlighted. But has it been fast enough?<sup>15</sup>.

He proposed EFTA two options:

"stick to the present relations, essentially bilateral or look for a new and more structured partnership with common decision-making and administrative institutions"<sup>16</sup>.

But he submitted the proposal to some conditions: the EFTA countries should have to transpose the common rules essential to the free movement of goods into their domestic law and, in consequence, should accept the supervision of the Court of Justice. EFTA's response was soon to come. The follow up of the Oslo-Brussels Summit, in March and December 1989, induced some reinforcement of EFTA's capacity to negotiate on a common basis. EFTA moved towards a more contriving organization. It would "strengthen its surveillance and enforcement procedures to ensure an harmonious and uniform implementation and interpretation of rules and regulations within the whole EEA"<sup>17</sup>.

In 1989, EFTA's efforts were still aimed at strengthening relations with the EC. But the future of the EC-EFTA relations is intertwined with other factors such as the EEA.

Two questions are worthwhile being raised. They are not new as they were already in the core of the debate about the EC-EFTA cooperation in the years 1987-88. The EFTA countries are bound up to negotiate with the EC; they have serious economic interests to do so. They will never be allowed to participate in the EC decision-making although they have to endorse the "acquis communautaire" and recast the structure of the organization. Is it worthwhile involving in an EEA which never could fulfill the EFTA countries' expectations? Individually some EFTA countries ventured to apply for membership; some others might follow. If one, most probably two EFTA members join the EC, what will happen with the remaining members. Even though the EFTA countries deliberately chose a loose approach to integration, they experiment other close ties among themselves such as the Nordic countries or the Neutral countries. In the long run, EFTA could dismantle. The second question concerns the way the EC will conciliate the EFTA neutral countries' application for membership and a common security policy.

EFTA is at a cross-roads. EFTA has always been a non-political organization. For more than thirty years, EFTA's main purpose was to liberalize trade. EFTA had no supranational body. Although the Convention of Stockholm remained mute about cooperation with third countries, EFTA succeeded in concluding a trade agreement with Spain in 1979; with Yugoslavia in 1983 (The bergen Declaration), with Hungary, Czechoslovakia and Poland in 1990. Those agreements are not solely of an economic nature; they are EFTA's responses to the evolution of its relations with the EC. The EEA is quite of a challenge for an unequipped EFTA. The treaty EFTA is negotiating for has become its main reason of existence; consuming most of its efforts and time. For the EC, is the EEA, to use Jacques Delors' words, the best solution to move forward without "rebuffing" those who are just as entitled to call themselves Europeans?<sup>18</sup>. The Secretary-General of EFTA Georg Reisch raised an important point:

When President Jacques Delors underlined that the EEA would enhance the political dimension of EC-EFTA cooperation, the main purpose was to give the EFTA countries access to the Single market without obliging them to become members of the EC. Do the reasons for which EFTA States hesitated still hold? There are fears whether the EEA is a viable concept. Further developments will depend on the content of an EEA agreement" <sup>19</sup>.

Is the EEA a suitable concept? First and foremost, one should recall the EEA.

## 2. THE EEA: INTERMEDIATE STATUS OR ENDLESS STEP?

The EEA was hatched in the first joint Ministerial meeting between the EC and the EFTA countries in 1984. At the outset, there was no definition for the EEA. It was a vague concept to be fuelled in the following years. But there are still many deadlocks which might give way to realignments.

The EEA.

The EC position is not flexible on the legal basis the EEA should be granted. The EFTA countries should not expect to participate in the decision-making process unless they become members; the autonomy of the EC decision-making is not negotiable. On its side, EFTA accepted the autonomy of decision but called for a genuine joint-decision making mechanism which was a basic prerequisite and would guarantee the political acceptability of an

agreement<sup>20</sup>. Jacques Delors favoured a two pillar structure. But it was unclear whether there could be some common decision-making as he incidentally declared. The Commission changed its position into a distinct pillar which would be in a constant state of osmosis during the whole decision-shaping process. The Commission was thus establishing a distinction between the decision-shaping and the decision-making. EFTA renounced to the joint-decision making mechanism. Nevertheless, there should be "equal opportunities for input by experts from the Contracting Parties in the preparation of EC proposals on new legislation on matters relevant to the EEA. There should be a continuous information and consultation process in the decision-shaping. EFTA should have the possibility to raise a matter of concern at any moment and at any level without causing additional delays (droit d'évocation). Decisions should be taken by consensus, the EFTA countries speaking with one voice<sup>21</sup>.

The institutional arrangement for the competition policy was subject to the same meanderings. Should the body responsible for the implementation and operation of the agreement be based on two pillars (the Commission and an EFTA body to be created would guarantee the proper application of the rules of competition within the EEA) or should it be an independent EFTA structure entrusted with powers which would have equal competence with and similar functions to the EC Commission in this field?

EFTA would be ready to integrate Community laws providing a transition period for specific fields. In the beginning of 1990, EFTA listed twelve areas, reduced to ten some weeks later including direct investment, transport, persons, goods, telecommunications<sup>22</sup>. The EC rejects any transition period exceeding seven years as upon their expiration it will be possible to apply safeguard clause. In 1990, and especially during the Swiss Chairmanship, EFTA made clear that the joint management of EEA legislation would have to be solved before EFTA could commit to the relevant legislation. A satisfactory solution would have to be found to the joint management and development of EEA legislation before the EFTA countries could take a final position on the integration of the relevant EC legislation as a common legal basis for the EEA<sup>23</sup>.

Switzerland pressured upon EFTA to keep a collective bargaining power; still, EFTA lacks of cohesion. As far as specific interests are concerned, the EFTA countries could maintain a shoulder-to-shoulder negotiation. Switzerland did not support Iceland in its demands of exemptions<sup>24</sup>. The Nordic countries

reproached Switzerland's appeal to negotiate bilaterally with the EC while Switzerland felt resentment with a Nordic front. Finland expressed some concerns about Austria's attitude to take part collectively on the EEA while applying for membership. Under such conditions, EFTA renounced some of its demands. The Commission rejected the direct link demanded by EFTA between a number of derogations from the "acquis communautaire" and the institutional framework for an EEA-agreement<sup>25</sup>. Nevertheless, to endorse the "acquis communautaire", arrangements have to be found to accommodate specific concerns such as Iceland's control over fishing, Finland's over forest-ownership, Switzerland and Liechtenstein's over foreigners.

Last but not least, the Commission is under pressure from Southern members: Portugal, Spain and Greece. They firmly believe that EFTA should share the benefits of the Internal market only if they are ready to share the costs. They link some key issues: fisheries, agriculture with EFTA's participation in the financial burden of economic and social disparities at regional level<sup>26</sup>. They oppose any concessions before EFTA involves with a cohesion fund. The EFTA countries as such are ready to contribute in a cohesion fund; the fund for Portugal and more recently for Yugoslavia are some precedents. The debate is whether the EFTA countries are allowed to participate in the EC fund in which they claim a say in the money they are spending or would it rather be an autonomous EFTA fund. The EC is not ready to allow the EFTA countries participate in its decision-making within a fund when they are excluded in the EC decision-making process. Furthermore, the Southern countries, backed by France, claim for better access to their products in the EFTA market. The EFTA countries do not share the same attitude. Austria should be ready to consider concessions for agriculture a feasible solution. Switzerland is more reluctant.

The issues at stake.

The EEA is likely to induce a more supranational EFTA, speaking with one voice to influence the EC decisions. Some EFTA countries are reluctant in applying such a policy. Switzerland favours an unchanged intergovernmental EFTA but is unlikely to accept any binding decisions from an EFTA supranational body. Switzerland might not be able to keep its liberty of maneuver and to reject any commitments it would not like. As a Swiss high official puts it: "En quoi la supranationalité de l'AELE serait-elle meilleure que celle de la CE?". Furthermore, the EC and EFTA will have equal opportunities to input EC proposals. But the

Commission has a thirty years experience whereas EFTA is propelling into the process. EFTA experts should participate in the "comitology" as it would ensure the homogeneity of EEA rules<sup>27</sup>. Still, the problem remains unsolved. EFTA proposed that representatives of the EFTA countries should selectively attend to the relevant committees for decisions concerning the EEA without voting<sup>28</sup>. They should be granted a status which would allow them to explain their positions and negotiate an unsuitable decision.

The EC proposed EFTA to participate in a genuine internal market as the EEA extends the four principles of freedom to the EFTA countries. But it becomes apparent that EFTA could never participate in the decision process unless the EFTA countries apply for membership. If the EEA were the most convenient way to prevent a queue of applications for membership from the EFTA countries, it would be accurate to give EFTA a say in the Community's decision process on the Internal market which covers the EEA. Thus, the question remains open if the EC considers whether the EEA is an intermediate agreement or a permanent one. The EC reckons on a five to eight years lasting EEA. For some EFTA countries, it might be for more. The EEA should be similar to the Internal market. Is it conceivable to shunt the EFTA countries on one side so they do not interfere with the Internal market while participating in the EEA?

Switzerland is rejecting the idea of a second pillar. Austria, Sweden and Norway are likely to accept it. Until Austria and Sweden join, they do not have any other alternative than the EEA; thus they are likely to accept more compromises on what they consider as an intermediate step. They favour any arrangement which would train their high officials for further positions in the EC networks<sup>29</sup>. Switzerland is unlikely to share the same views. It is still holding over its decision; awaiting for the EEA to be clearly defined to devise its position.

The EFTA countries face a dilemn. The outcomes of the EEA negociation are watchfully observed by the EFTA countries which have not yet decided either they apply or not. Are Austrian and at the short run Swedish examples going to multiply in an EFTA subject to strong particular interests? Are all EFTA countries going to merger? Yet, the problem is not solved as it relies upon two factors: the EFTA countries decisions and the capacity of the EC to cope with troublesome membership.

### 3. EFTA: VACUUM, STATU QUO OR REVIVAL?

The leaving members.

Austria was the first EFTA country to apply for membership in July 1989. This option has been debated quite early. In the mid 60's, Austria requested for an association agreement after the United Kingdom applied for membership. The request was suspended after de Gaulle vetoed the British application. As for other neutral countries, EFTA's option was more suitable with neutrality. The neutral countries could preserve their trade policy and conclude agreements with third countries. EFTA had no supranational authority with which its members had to comply in case of international conflicts or war. Neutrality did not hinder Austria to take positions on international problems. As for Finland and Austria, the Eastern dimension was a weighting factor to consider<sup>30</sup>. The Soviet Union objected to Austria any move towards the EC as the EC was to become a military and diplomatic community.

The Soviet Union's reserve was suspended in 1989: access of EFTA neutral countries to the EC might fend off the ambitions of the EC for political and security policy. Austria first opposed to join the EC backed this option. Chancellor Vranitzky advocated for a closer relationship before centering its policy on Austria's relations with the EC<sup>31</sup>. The membership was motivated by economic reasons. Foreign Minister Alois Mock argued that membership, provided Austrian neutrality is fully preserved and guaranteed, was the only possibility for Austria to take part in the decision-making. Furthermore, Austria's entry will allow the EC to play a greater role in Eastern Europe as a change is taking place in the East-West relations<sup>32</sup>. Yet, as a EFTA member, Austria complies with its obligation and negotiate for an EEA even if it is unlikely to fulfill EFTA's expectations.

The debate on the compatibility of the EC membership and neutrality was concurrently acute in Sweden. Sweden experimented quite a wide range of situation with the EC. Sweden opted for association in 1961, envisaged membership in 1967, rejected it some years later but explored "close and durable relations" such as customs union. This option remained unchanged since 1971. The EC's upgrading of foreign political cooperation motivated Swedish reluctance to apply for membership when the Davignon and Werner reports were published in 1971. Sweden feared that an EC aiming at a security and defence policy would endanger its neutrality. Sweden had other possible options either deepen the nordic co-operation, envisage some links with the Baltic Republics or

strengthen EFTA. Yet, the achievement of the Internal market induced some reactions in the Swedish political scene. Some parties were still supporting a customs union with the EC which would inevitably become obsolete and lead to membership. In 1989 all major parties except the Communist Party and the Greens supported membership<sup>33</sup>. Still Sweden fostered reserve about its neutrality.

#### Neutrality under review

Notwithstanding the arguments being raised, a new debate is taking place. The unpredictability of the changes occurring in Eastern Europe compel neutrality policy to be maintained. Yet, neutrality was set up in a divided Europe; it takes a different meaning in an environment in which tensions lessened. The EC political and security policy would even become criteria to be dealt with. Austria could associate in the European Political Cooperation (EPC) including security policy notwithstanding avoiding military matters as the "road for political union would be a long one"<sup>34</sup>. But Austria considered that it was possible to conceive neutrality in a European system of collective security. Norway as a NATO member already enjoyed a special status in the EPC. Iceland another NATO member might be interested sooner or later. Even Sweden could consider a collaboration in the EPC<sup>35</sup>. Finland and Switzerland were less reluctant for prospective participation. Neutrality is no more a binding issue as most of EFTA neutral countries revisit the concept.

#### The remaining countries: what options?

If Austria were to become an EC member and Sweden's application soon to follow, the Nordic countries and Switzerland will face the prospect of remaining isolated in EFTA. Until recently, Finland, Norway and Iceland did not seriously consider their applying for membership. In that process, Finland and Iceland are the latest, Norway the nearest.

The EEA is still a suitable option for Finland. The last March election interrupted an intense political debate on membership. All major parties, including the running Center party, agree to wait for the EEA to be completed before considering membership. If neutrality has lost some of its importance, the arguments are centered on Finland's capacity to retain its sovereignty that is making its own decision and sharing the decision-making in the EEA. The acceptability of an agreement relies upon this matter. Nevertheless, Finland would be under strain if Sweden were to apply for membership as it might remain isolated in the EEA. Thus

Finland might contemplate other strategy such as closer links with Eastern Europe as Finland was pulled by two different orientations<sup>36</sup>. Whereas Finland is an European country, it was and still is intertwined into the East. The first co-operation Treaty with the Soviet Union dates back in 1948; it was regularly renewed afterwards. The relations were extended in 1973 with other CMEA countries. The Eastern dimension is still a weighing factor in the Finnish political scene.

Norway is more Westwards oriented. Unfortunately, Norway's application for membership though rejected in the 1972 referendum still impacts the political scene. Norway and Finland were the major actors in promoting a Nordic co-operation within EFTA<sup>37</sup>. This "Nordic front or Community" as some might call it would be materialized not only within EFTA but within the EEA as well. EFTA, once it is strengthened could act as a collective leverage negotiating some difficult issues at stake. As other EFTA countries, Norway contends for having the right to influence the decision-making process in the EEA. Norway wants EFTA to become more a collective instrument and the EEA to be effective which could even include a common policy towards third countries which is unlikely to please either Finland and Switzerland as both countries want to pursue individually their common trade policy<sup>38</sup>. If the EES were to fail, Norway would rather apply for membership than pull out as Iceland or Switzerland might contemplate. Even though some parties such as the Conservative party oppose the idea of Norway joining the EC, membership is already on the agenda for the Labour party and the Norwegian Progress party.

The Nordic countries share common interests; they are committed in EFTA becoming a negotiating power instrument. Nevertheless, are there enough common interests to overtake their individual stances? Is a collective membership of all Nordic countries recently raised up a feasible one?<sup>39</sup> Both the EC and the Nordic countries do not share common positions. For the EC avoids handling with successive membership but the Nordic countries once they are EC member countries might create a weighable faction in the Council of Ministers difficult for some EC member countries to agree on. For EFTA countries which main concern is precisely to gain influence in the EC network a collective membership has positive assets. Indeed EFTA has to overpass its bilateral and pragmatic approach in gaining a collective identity formulating congruent inputs. Still, some EFTA countries run at a slower pace.

Switzerland is most concerned about the institutional issue of the EEA and the recasting of EFTA. It was prompt to seize the opportunities of the evolutionary clause included in the free trade agreement but was eager to keep its specificity as a neutral country. Switzerland accommodated with a bilateral approach with the EC. The EEA is far from being accepted by a large majority of the public opinion and by the political authorities. Switzerland claims for a joint decision-making, exemptions for foreigners, property ownership and a compatible transport policy. Furthermore, Switzerland is reluctant to agree on the new EC agricultural demands. An EEA agreement which would not fulfill these requirements is unlikely to be agreed on.

Switzerland has not yet clarify its position towards the EC and the EEA. Some political forces support the everlasting appeal to remain insular and move backwards to bilateral and loose agreements with the EC in specific fields or to negotiate a limited EEA<sup>40</sup>. Official statements though underline membership as a foreseeable option in case the EEA negotiations fail albeit individually<sup>41</sup>. The Federal Council is still cautious to decide which option is more effective for Switzerland. Neutrality is debated but for the first time, it is revisited. The Federal Council is more concerned to know how and who in case Austria and Sweden step out from EFTA would endorse the burden of the EFTA's adaptation to the EEA<sup>42</sup>. The political structure and the decision-making process need to be modified to implement the least option of an EES. Unfortunately, there is little evidence of Switzerland's intent to renounce to its "non-decision making" as one might be tempted to describe Switzerland foreign-policy<sup>43</sup>.

EFTA requires congruence of interests and attitudes to negotiate with the EC. What strikes is the difficulty the EFTA countries have to conciliate their economic interdependence with the EC and their need to recast. They can choose between an EEA, if it is completed or apply for membership. Other options such reforging bilateral agreements or revisited Free Trade Agreements seem obsolete. The EC attitude is far from being clarified as well.

#### 4. The EC, EFTA and the Eastern countries.

The relations between the EC and EFTA assume that the EC overtakes its own contradictions and has a clear idea of its future development and its role in Europe. The EC aims to develop a more coherent world identity which means more power and a security policy. The EC is moving further towards a political and

economic union and a security community. The shaping of those processes are likely to influence the EC capacity to absorb the EFTA countries membership. For the EC to agree with the Austrian membership means facing a queue of applications for membership and delay its own process. Thus the EC is caught in a dilemma as well. The applications for membership from the Eastern countries or the Southern cannot fall into oblivion for acute political motives. The EC cannot accept them all and in first place the Austrian one. The EC has to compromise: the EEA was a solution but unable to satisfy the EFTA countries. The idea of an affiliate membership as unclear as the EEA has been launched by the Commission. Indeed it allows the EC to avoid full membership in offering some political compensations. But it is unlikely to satisfy the EFTA countries and as a matter of fact Austria rejected the proposal.

Three issues are worthwhile stressing: neutrality and an EC political union and security policy; the expectations of the EC member countries in the relations between the EC and EFTA; the Eastern dimension.

Neutrality, the political union and security policy.

Many options remain open to build up this new dimension. First, the EC is moving towards a political union which excludes any neutral provisions. The EC tried to avoid any commitment. The European Council in Dublin, in 1990, introduced in its final that the Union would be open to other European states as long as they agree on the EC political aims. Furthermore, the EC has to conciliate neutrality and the building up a European defence. The EC member states are still debating the prospective powers of the Western European Union (WEU) or NATO. Should the WEU become NATO's European pillar or the EC's defense organization? For United Kingdom the WEU should be no more than an European bridge to Nato elaborating common views with the United States and Canada. The arrangement could include a rapid reaction force with a strong European component but the NATO must remain unchanged<sup>44</sup>. The WEU did play that role in the Gulf and after Gulf crisis. France backs a strengthening WEU to merge further on with the EC. The Federal Republic agrees with both sides. NATO cannot be weakened but the EC should include a defence and foreign policy. Even though there could be some recasting, the unpredictability of the situation in Eastern Europe and in the Soviet Union does not motivate any deep changes in the security arrangements between NATO and the WEU and in the short term, neutrality should remain an effective concept.

This new EC identity bothers not only the neutral EFTA countries wanting to apply for membership but also some of the EC member countries such as Greece, Denmark and Ireland which are not members of WEU and would be excluded from an important part of the EC activity. The way the EC will conciliate the status of the neutral Ireland and the need for a security policy will be seen as a test for dealing with the forthcoming EFTA countries membership. The United Kingdom suggested two distinct membership. The neutral Ireland could remain an EC member without being binded by the defence union while Norway could still be a Nato-member without being an EC member. It would be a two-speed Europe or a "variable geometry" Europe though those concepts were applied with a broader perspective.

The EC member countries, the European parliament and the relations between the EC and EFTA.

The EC member countries do not share the same interest in EFTA. They do not even support all EFTA countries membership. Some countries such as the United Kingdom or the Federal Republic support the EFTA countries membership whereas the Southern States are more reluctant to have some of the EFTA countries joining the EC. France is between: one of its main concern, shared by the Netherlands, is that Austrian membership or the Nordic ones would overweigh the german speaking countries and economy. For France the core argument against short term membership remains in the new identity emerging in the EC. The EC should deepen before considering widening. France is opposed to any enlargement which could jeopardize the integration process. For similar reasons France was strongly opposed to an EC-EFTA joint decision making in the EEA. Once the EC have completed its political and security process, it could contemplate some further membership providing the EC political identity and France leading position are being preserved. France considered the EFTA countries membership with little enthusiasm but some special cases deserves attention. The EC could handle more easily Norway's membership as it already participates in the EPC than that of Switzerland or Sweden as both calls for a security arrangement built on the Conference on Security and Cooperation in Europe (CSCE) with a role of the Neutrals<sup>45</sup>.

The Federal Republic and Italy are both for deepening and widening. The former has close economic links with the EFTA countries. Furthermore, The Federal Republic is concerned about its security. There is an Eastwards dimension in the Federal Republic interest in the EFTA countries joining the EC. The Federal Republic promotes the idea of a pan-European cooperation shared by a

more temperate Italy. The United Kingdom contemplates the EFTA countries membership positively. The main arguments are that the United Kingdom is reluctant to supranationalism and sceptical about deepening the EC.

At the other side of the spectrum are the Southern countries Spain, Portugal and Greece. For the stentorian Spain, willing to be granted with increased assistance from the EC, the EFTA countries should improve their trade access and share the burden for less-favoured regions. The EC should solve its regional inequalities before contemplating enlargement.

At the outset, the European parliament unfolded an intense activity for the EEA negotiation. This interest was legally acute as the European parliament made full use of its right to be kept informed of the current negotiations. Similarly, if any agreement were to be concluded between the EC and EFTA, the European parliament would have to approve this agreement. Yet, this interest went beyond the legal space offered to the European parliament. As an actor looking for more power within the EC, the European parliament built up close links with the EFTA parliaments until 1987 through an interparliamentary delegation and then through the Committee on External Economic Relations (REX Committee) meeting regularly with the Committee of members of parliament of EFTA countries<sup>46</sup>. The European parliament, being in the core of a debate on the "democratic deficit", supports membership from countries which have strong democratic traditions and would therefore upgrade the Community's most democratic institution. Yet, the EC has to strengthen before considering any new membership; the 1992 goal must be achieved. The European parliament is equally cautious concerning the EEA. It should establish some mechanisms to allow EFTA and the EC to coordinate their position at the early stage of the "decision-shaping"; joint decision-making is difficult though. EFTA is unlikely to participate in the "comitology" as it would gain a say in the decision-making process and would therefore affect the autonomy of the EC decision-making<sup>47</sup>. The European parliament emphasized the role EFTA could play in the new architecture taking place.

The EC will face the Eastern countries' applications for membership<sup>48</sup>. Therefore it is necessary to foresee a model for the Eastern countries. The relations between the EC and EFTA have overlapped their geographic boundaries; the final Eastern framework has not yet emerged but already impulses on the EC-EFTA relations, whether EFTA wants it or not. All the involved participants do not share the same interests. Some options are still open and are not

crystallised into a formalised framework. For the European parliament committed in a federal process supports the idea of an "European village" opened up to Eastern countries<sup>49</sup>.

The Eastern countries: Stepping in or overlapping?

The EC introduced some kind of dialectical relations between its process of unification and its contribution to a European architecture. Indeed, the CE should remain the hard core. The meaning of the "concentric circle", mentioned by Jacques Delors in his speech to the European parliament, in January 1990, in Strasbourg, was rather a village Europe with an adamant house as a core. The Community would be the first pillar of the new architecture, EFTA countries within an EEA the second one. The Eastern countries would be the third pillar. Nevertheless, economic criteria have to be fulfilled before forging any close links.

Notwithstanding the far-reaching cooperation agreements concluded between the EC and Poland, Hungary and Czechoslovakia and the coming association agreements, the EC has to achieve its political and security goal before considering any further commitment even if the Eastern countries pressure to upgrade the existing relations. EFTA'S role towards Eastern Europe remains in momentum to be maintained as long as the EC achieves its internal market and its political union without abandoning its all-European role. EFTA may play the role of a waiting room, a "welcoming home", a bridge-head or a buffer zone<sup>50</sup>. Whatever option it is, the EC is interested in EFTA's affirming itself in Eastern Europe.

EFTA realized that having a broader role in Eastern Europe could bring about some advantages in the current negotiation process with the EC which turned out to be more complex than expected. EFTA was tempted to pressure the EC by upgrading the interest of the EEA for the Eastern countries. Yet the interest of EFTA towards Eastern Europe is still moderate. One could even speak of passivity. If EFTA were to consider extended institutional links, it takes for granted the existence of market economies. Unless the Eastern countries achieve the necessary reforms, EFTA could not consider any further links. The EFTA countries collectively support the ongoing reforms; they are not sure whether EFTA should embody Eastern Europe. They oppose any enlargement which would delute the organization<sup>51</sup>. Furthermore, they do not want to be diverted from their main concern: to negotiate their access to the Internal market. On this point of view, Austria is the best example. This EFTA's Easternmost country has a growing importance as a political and economic bridge between East and West; yet its

entire energy is devoted to the EC. The other scenario is to integrate the Eastern countries in the EEA. The EC supports the EEA absorbing the Eastern countries once they have completed the required reforms. But the legal framework is still under debate. The Eastern countries focused their interest on joining the EC. EFTA or the EEA could not be a final objective but a temporary platform to Brussels.

### Conclusion

The negotiation EFTA is involved in is a challenge. The EFTA countries voluntarily created an organization with a least common denominator: dealing mostly bilaterally with the EC. The EFTA countries reject any supranationalism. Notwithstanding their goal, their economic trends were concentrated on the EC. As long as EFTA was a loose organization, the particular interests of its members were sufficiently constrained. The EFTA countries have to negotiate shoulder-to-shoulder but their diverting positions muddled along in the EEA negotiations. The EFTA countries enjoyed a prosperous neighbourhood with the EC. Now it has to skeleton the relations with the EC and its own becoming. Recasting EFTA to adjust the new relationship could be too cumbersome to be completed. EFTA was an optimizing way to accommodate with the EC when both were not moving towards strenuous changes. EFTA succeeded in negotiating the EEA but it could not withstand a continuous upgrading without losing its equilibrium.

EFTA is caught in a dilemma. The choice is not whether EFTA should agree on the EEA or move backward to its bilateral and smooth cooperation with the EC. The process has gone too far. For EFTA, it does not matter if the EEA succeeds or fails. The EEA can only be a transition towards further membership. Some EFTA countries have made their choice. The EEA is a "misleading" concept. It could never fulfill the expectations of the EFTA countries. Unless they become members, they will never be allowed to give a say in a decision-making process which impinges on their political and economic life. Should it do it, the EEA is unlikely to insure a long-term access in the Internal market as no one knows exactly what will be the outcomes. The EC and EFTA never clarified the framework of their collaboration before negotiating the EEA which is precisely the core debate in the current negotiation. They should have stressed their respective adjustment before committing in an endless process. Has EFTA a future when at least two coun-

tries out of six, seven with the new-coming Liechtenstein, look for more while negotiating the EEA?

There was a space for EFTA when Europe was clearly divided. The neutral EFTA countries played a security belt in-between. EFTA can play this role no longer. The newly-born and still frail democracies need to anchor in Western Europe. It is a real need to avoid some dangerous appeals. EFTA is unlikely to play an all-European role. The Eastern countries once they have completed their economic reforms which are prerequisite for applying either in EFTA or the EC might better choose the EC. The EC is an attractive pole very much so with its further political and economic step.

The EC is at a turning point as well. Somehow, it has to solve the appeal of its own success. The EC cannot rebuff the whole of the applications for membership; it cannot equally absorb them. The EC is multiplying its proposal to forge the relations with EFTA or the Eastern countries. Anyhow the EC and the EFTA countries have to negotiate. The EFTA countries cannot deal individually with the EC. Collectively they have a louder voice as they have a political and economic weight to benefit of. A new deal is occurring: The EFTA countries should seize this opportunity to join the process and solve the remaining doubts.

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