



THIS IS EFTA

2010

1960 **EFTA** **50** **YEARS** 2010
Anniversary Edition



This is EFTA 2010

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Editor's Note:

"This is EFTA" is an overview of EFTA's activities and institutional framework. For an updated summary of the more specific activities in the last year, please consult EFTA's Annual Report. It is also available on our website: <http://www.efta.int/publications/>

FOREWORD



The European Free Trade Association celebrates its 50th anniversary this year. The EFTA Convention was signed on 4 January 1960 and entered into force four months later, on 3 May. This spring we are publishing an anniversary book with contributions from eminent scholars of history and economics, highlighting important events and milestones from EFTA history.

The history of EFTA is part of the political and economic developments in Europe after the Second World War. The present membership and structure of EFTA can only be understood in the light of the wider quest for European economic integration and the development of the global trading system.

After the war, the importance of free trade for economic growth and reconstruction was widely recognised. Countries were determined not to return to the chaotic trading situation of the pre-war period, and the General Agreement on Tariffs and Trade (GATT) was set up. In Western Europe, free trade and economic integration were seen as important parts of the political process to avoid future conflicts. In 1957, six European states signed the Treaty of Rome, thus creating a customs union and close economic cooperation in key areas. Two years later, seven other European countries signed the EFTA Agreement, thereby forming a free trade area among them.

The membership of EFTA changed several times over the next decades as political integration in Europe gathered pace. "The New EFTA", as we know it today, came into existence in 1995 with its present membership of Iceland, Liechtenstein, Norway and Switzerland. In 2001, the EFTA States agreed on a new EFTA Convention that reflects the changes in tasks and functions of the Association that have taken place since 1960.

In addition to managing the rules for intra-EFTA trade relations, the organisation has two distinct tasks: first, to assist the EFTA States in negotiating and maintaining free trade agreements (FTAs) with non-EU countries; and secondly, to assist three of the EFTA States with the operation and development of the Agreement on the European Economic Area (EEA). This Agreement is a dynamic joint venture between three of the EFTA States (Iceland, Liechtenstein and Norway) and the EU. The work on free trade

agreements is carried out at EFTA's headquarters in Geneva while EEA matters are dealt with in Brussels.

We can be proud of the achievements of EFTA.

Through the EFTA cooperation the Member States have at present concluded 20 free trade agreements with 29 countries globally. Discussions are taking place with a number of states on new agreements. I wish to underline that EFTA's FTAs are based on and seek to promote the multilateral rule-based trading system, as embodied in the WTO.

The network of free trade agreements gives the EFTA States preferential access to the markets of its partners. Although EFTA's membership is small, it is a world leader in the promotion of free trade. In 2008, the EFTA States together were the world's tenth largest traders in merchandise goods and fifth largest in commercial services, as well as leading markets for both outward and inward investment flows. Levels of per capita GDP were amongst the highest globally.

As parties to the EEA, Iceland, Liechtenstein, and Norway are full participants in the EU's Internal Market, which is based on the principle of free movement of goods, services, capital and persons with uniform and homogenous rules governing state aid and competition. Switzerland, although not a member of the EEA, benefits from its active observer status in the EEA EFTA structure in the administration of its bilateral agreements with the EU.

The global economic downturn and the accompanying decrease in world trade also impacted the EFTA States in 2009 to varying degrees. Growth weakened while unemployment rates rose and budget balances deteriorated. Prospects for the EFTA economies are, however, improving.

During the past 50 years EFTA has shown a remarkable ability to adapt to new political and economic realities. EFTA has contributed significantly to the economic development of its Member States and to the promotion of free trade. I remain confident that the organisation will continue to be an indispensable instrument for our countries for years to come.

Kåre Bryn

A handwritten signature in blue ink that reads "Kåre Bryn". The signature is written in a cursive, flowing style.

Secretary-General

THE EUROPEAN FREE TRADE ASSOCIATION

The European Free Trade Association (EFTA) is an intergovernmental organisation set up for the promotion of free trade and economic integration to the benefit of its four Member States: Iceland, Liechtenstein, Norway and Switzerland. The Association is responsible for the management of:

- The EFTA Convention, which forms the legal basis of the organisation and governs free trade relations between the EFTA States;
- EFTA's worldwide network of free trade and partnership agreements; and
- The European Economic Area (EEA) Agreement, which enables three of the four EFTA Member States (Iceland, Liechtenstein and Norway) to participate in the EU's Internal Market.



Creating Europe's largest free trade area of its time. EFTA's founding Member States at the signing of the EFTA Convention that established the European Free Trade Association in 1960.

© Keystone



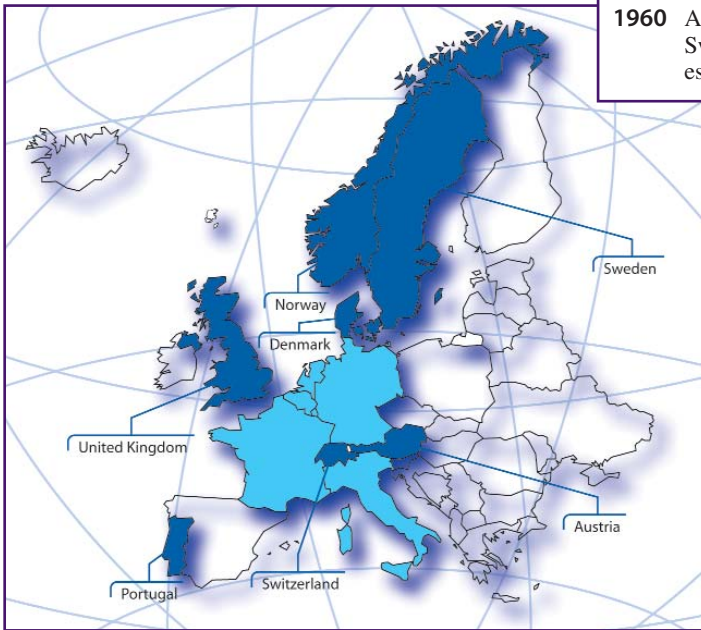
The Vaduz Convention (the updated EFTA Convention)

The EFTA Convention regulates the free trade relations between the Member States and provides the legal framework for EFTA as an organisation.

The updated EFTA Convention was signed in Vaduz (Liechtenstein) on 21 June 2001. The new Vaduz Convention entered into force on 1 June 2002 with the following main changes:

- The scope of the Convention was expanded to include new areas such as: trade in services and investment, mutual recognition of conformity assessments, free movement of persons, social security and mutual recognition of diplomas, land and air transport, public procurement and intellectual property rights.
- The functions of the EFTA Council were broadened to reflect the historical changes in EFTA's mission, in particular with respect to EFTA's free trade regime with partner countries. The new Convention provides a more cohesive framework for economic relations between the four EFTA Member States and gives them an improved instrument to manage their internal relations and those with present and potential partner countries.

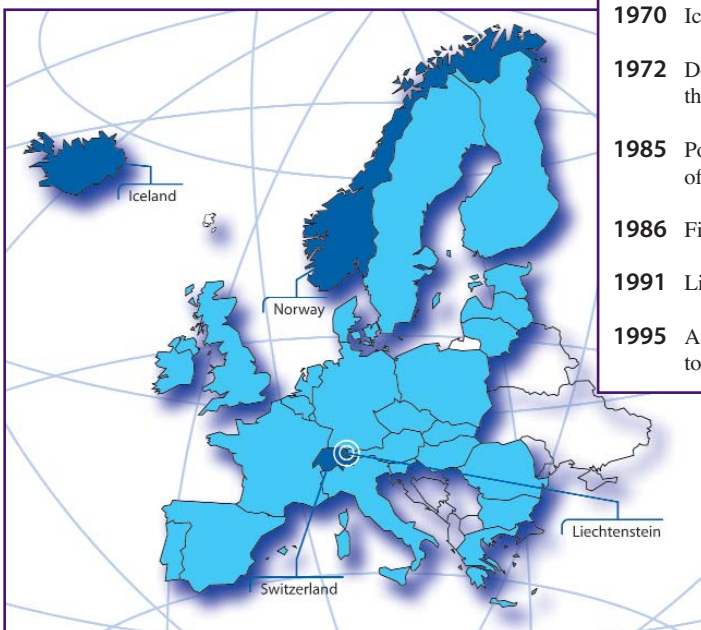
EFTA and the EU 1960



1960 Austria, Denmark, Norway, Portugal, Sweden, Switzerland and the UK establish EFTA



EFTA and the EU 2010



- 1970** Iceland becomes a member of EFTA
- 1972** Denmark and the UK leave EFTA to join the EEC (EU)
- 1985** Portugal leaves EFTA to become a member of the EEC (EU)
- 1986** Finland becomes a full member of EFTA
- 1991** Liechtenstein becomes a member of EFTA
- 1995** Austria, Finland and Sweden leave EFTA to join the EU



EFTA 1960 - 2010

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 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 by 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.



Gottlieb Gut, Swiss Ambassador, signing the EFTA Convention. Awaiting their turn from left: Augusto Potier, Portuguese Ambassador, Rudolf Krippit-Redlich, Austrian Ambassador, and Östen Undén, Foreign Minister of Sweden.

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 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 **Delors Initiative**). 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 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 provides for the participation of various EU programmes. The Agreement, however, does not include 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 EU 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





EFTA meeting prior to the signing of the EEA Agreement in Oporto in 1992. The countries are represented by their Ministers responsible for EFTA affairs, and their chief EEA negotiators. From the left: Franz Blankart and Federal Councillor Jean-Pascal Delamuraz, Switzerland; Frank Belfrage and Minister Ulf Dinkelspiel, Sweden; Eivinn Berg and Minister Bjørn Tore Godal, Norway; Georg Reisch, Secretary-General; Minister Jón Baldvin Hannibalsson and Hannes Hafstein, Iceland; Prince Nikolaus and Minister Hans Brunhart, Liechtenstein; Minister Pertti Salolainen and Veli Sundbäck, Finland; Ministers Wolfgang Schüssel and Alois Mock, and Brigitte Ederer, Secretary of State, Austria.



States, as the Agreement does not grant them access to the decision-making phase in the EU.

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 from 2004 to 2009. 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 non-EU countries (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. It 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

free trade agreements to encompass countries in Latin America, Asia and Africa. 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, Southern African Customs Union (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. Negotiations or exploratory talks are ongoing with several countries.

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.

Combining the contractual frameworks with the EU and 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%.



The EFTA Ministers and Secretary-General at the Autumn Ministerial Meeting in 2009: Kåre Bryn, EFTA Secretary-General, Gylfi Magnússon, Minister of Economic Affairs, Iceland, Aurelia Frick, Minister of Foreign Affairs, Liechtenstein, Trond Giske, Minister of Trade and Industry, Norway and Doris Leuthard, Federal Councillor, Head of the Federal Department of Economic Affairs, Switzerland.

Partners in Progress

EFTA 50th Anniversary Seminar 10 November 2009



From the seminar in Geneva.

A seminar on the history of EFTA was held in Geneva on 10 November 2009, bringing together leaders from government and academia to mark the 50th anniversary of EFTA in 2010 and the 15th anniversary of the entry into force of the Agreement on the European Economic Area (EEA) in 2009.

Under the theme “EFTA 1960-2010 – Partners in Progress”, speakers at the November seminar focused on the development of EFTA in the wider European context and on the implications of EFTA and the EEA on the Member States. The moderator was **Ernst Walch**, former Minister of Foreign Affairs of Liechtenstein.

Kåre Bryn, Secretary-General of EFTA opened the seminar. **Aurelia Frick**, Minister of Foreign Affairs, Liechtenstein addressed the seminar on behalf of the EFTA Council, and **Elisabeth Walaas**, State Secretary, Ministry of Foreign of Norway, and **Jean-Daniel Gerber**, State Secretary, State Secretariat for Economic Affairs, Switzerland delivered statements.

Five academic researchers presented their work at the seminar. Professors **Gudmundur Jónsson**, University of Iceland, **Helge Pharo**, University of Oslo, and **René Schwok**, University of Geneva, looked back at Europe in the 1950s and the political discussions leading up to the creation of EFTA in their home countries. They also addressed the effects of their participation in EFTA on trade and economic growth. Professor **Richard Griffiths**, University of Leiden, reviewed the history of EFTA in a broader European context. Dr **Ulf Sverdrup**, University of Oslo, outlined the experience of the EFTA States with the EEA Agreement and its present role in EFTA's relations with the European Union (EU).

These sessions were complemented by panel discussions. Former Ambassadors **Jón Baldvin Hannibalsson** of Iceland, and **Eivinn Berg** of Norway as well as former State Secretary **Franz Blankart** of Switzerland, who led their countries' negotiations for the EEA in the early 1990s, enriched the seminar with personal analyses and accounts of the history of EFTA as well as of the challenges lying ahead for the Association.

THE EFTA STATES

Although the EFTA countries (Iceland, Liechtenstein, Norway and Switzerland) are small, they are world leaders in several sectors vital to the global economy.

The two Alpine EFTA countries – Liechtenstein and Switzerland – are internationally renowned financial centres and hosts to major companies and multinationals. The Swiss economy is based on high-quality products commanding high prices in world markets. Switzerland is a world leader in pharmaceuticals, biotechnology, machinery, watchmaking, banking and insurance. Despite its small size and limited national resources, Liechtenstein is highly industrialised and specialised in capital- and R&D-intensive, high-technology products, notably precision instruments.

The two Nordic EFTA countries, Iceland and Norway, stand out in fish production, the metal industry and maritime transport. The Icelandic economy benefits from renewable natural resources: in particular rich fishing grounds, and hydro- and geothermal power. While still heavily relying on fishing and fish processing, the Icelandic economy has in the last two decades increasingly diversified into the aluminum industry and services. Much of Norway's economic growth has been fuelled by an abundance of natural resources, including petroleum exploration and production, hydroelectric power, and fisheries. Other important sectors include services, notably maritime transport and oil-related industries.

The EFTA members ranked among the countries with the highest GDP per capita in the world (figure 22-23) in 2008. They also benefited from very low unemployment rates compared to other OECD countries (figure 34).

The EFTA States are traditionally dependent on, and open to, international trade. As a consequence, trade accounts for a significant share of the EFTA States' economic activity (figure 2).

In spite of EFTA's modest size, in 2008 the EFTA States taken together constituted the world's tenth largest merchandise trader (figure 14) and the fifth largest trader in commercial services (figure 15), counting the EU as one.

The EFTA States represent a sizeable market characterised by a high purchasing power (figure 23). In 2008, EFTA's combined GDP (excluding Liechtenstein) amounted to 955 billion USD (figure 22). The EFTA economies are also consistently high performers as to competitiveness, ranking among the top 30 most competitive economies worldwide according to the World Economic Forum Global Competitiveness Report 2009/2010 (figure 30-31).

EFTA countries are key investors abroad, both in terms of direct investment and portfolio investment. Their combined stock of outward foreign direct investment (FDI) in 2007 amounted to 910 billion USD (figure 24-27). The EFTA States are also hosts to a significant number of major multinational companies such as Nestlé, Roche, Novartis, Statoil, Credit Suisse, ABB and UBS (figure 28).

The EU27 is EFTA's main trading partner, accounting for 75% of EFTA's merchandise imports and 71% of its exports in 2008 (figure 23). EFTA is the EU's third largest trading partner, placing it before Japan and the Russian Federation (figure 6). EFTA also ranked second in trade in services in 2008, after the United States and before Japan, the Russian Federation and China (figure 7).



General information: 2010

Fig. 1

	Iceland	Liechtenstein	Norway	Switzerland
Name	Republic of Iceland	Principality of Liechtenstein	Kingdom of Norway	Swiss Confederation
Government	Parliamentary Government	Constitutional Monarchy	Constitutional Monarchy	Federal Republic
Head of State	President Ólafur Ragnar Grímsson	Prince Hans-Adam II of Liechtenstein	King Harald V	President of the Swiss Confederation Doris Leuthard
Head of Government	Prime Minister Jóhanna Sigurðardóttir	Prime Minister Klaus Tschütscher	Prime Minister Jens Stoltenberg	President of the Swiss Confederation Doris Leuthard
Official Languages	Icelandic	German	Norwegian (Bokmål and Nynorsk)	German, French, Italian, Romansch
Capital	Reykjavik	Vaduz	Oslo	Bern
Area	103 000 km ²	160 km ²	384 802 km ²	41 285 km ²
Population (31.12.2008)	319 368	35 593	4 799 300	7 701 900
Population Density (inhabitants per km²)	3.1	222.5	12.5	186.6
Currency	Icelandic króna (ISK)	Swiss franc (CHF)	Norwegian krone (NOK)	Swiss franc (CHF)
National Holiday	17 June	15 August	17 May	1 August

Source: National Statistical Offices and Official Government Websites



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Economic indicators: 2008

Fig. 2

	Iceland	Liechtenstein	Norway	Switzerland	EU27
GDP (in million EUR at market prices)^[1]	10 265	3 180	309 251	341 330	12 506 082
GDP Per Capita (PPS in EUR)^{[1][2]}	30 000	38 500	47 600	35 500	25 100
GDP Real Growth (in %)	1.3	n.a.	1.8	1.8	0.8
Inflation (in %)^[4]	12.8	2.3	3.4	2.3	3.7
Unemployment (in %)	3.0	2.3	2.5	3.5	7.0
Exports: Goods (in million EUR)^{[3][5]}	3 246	n.a.	116 424	136 699	3 886 297
Imports: Goods (in million EUR)^{[3][5]}	3 292	n.a.	62 143	127 225	4 013 321
Exports: Services (in million EUR)^{[3][5]}	1 328	n.a.	32 245	55 789	1 284 817
Imports: Services (in million EUR)^{[3][5]}	1 567	n.a.	27 278	27 107	1 118 758
Total trade balance (in million EUR)^{[3][5]}	-285	n.a.	59 248	38 156	39 035
Total: Trade (in million EUR)^{[3][5]}	9 433	n.a.	238 088	346 820	10 303 193
Government Financial Balance (in % of GDP)	-14.3	n.a.	18.8	1.0	-2.3
Government debt (in % of GDP)	70.6	n.a.	50.0	41.3	61.5
Total trade (as % of GDP)	91.9	n.a.	77.0	101.6	82.4

Sources: National accounts data from EUROSTAT and National Statistical Offices

^[1] Liechtenstein figures are from 2006.

^[2] Liechtenstein's inhabitants adjusted by cross-border commuter population.

^[3] Liechtenstein's trade figures are included in Switzerland's trade figures due to the existence of the Swiss-Liechtenstein Customs Union.

^[4] In Liechtenstein the Swiss national consumer prices index applies.

^[5] Trade figures are reported according to National Accounts methodology and differ from tables 08-09 which present figures according to External Trade methodology.

FREE TRADE AGREEMENTS

EFTA's trade strategy has progressively evolved to reach beyond the confines of the European continent. Since the late 1990s, the EFTA States have 'gone global' in order to maintain their competitive position in the world.

Through EFTA, the Member States have created one of the world's largest networks of free trade relations and are extending it further. The EFTA free trade agreement (FTA) network secures economic operators preferential access to markets of around 580 million consumers outside the European Union.

The main reason why Iceland, Liechtenstein, Norway and Switzerland use EFTA as their common vehicle for free trade relations is that, as a group, they carry more weight economically and politically, thus being more interesting for potential trade partners.

At the time of writing, EFTA had concluded 20 Free Trade Agreements with a total of 29 partner countries and territories around the world: Albania, Canada, Chile, Colombia, Croatia, Egypt, Gulf Cooperation Council (GCC; comprising Bahrain, Kuwait, Oman,

Qatar, Saudi Arabia, and the United Arab Emirates), Israel, Jordan, Lebanon, the Republic of Korea, Macedonia, Mexico, Morocco, Palestinian Authority, Serbia, Southern African Customs Union (SACU; comprising Botswana, Lesotho, Namibia, South Africa, and Swaziland), Singapore, Tunisia, and Turkey.

Negotiations were in progress with Algeria, Hong Kong China, India, Peru, Thailand and Ukraine. In addition, the EFTA States were conducting dialogues on closer trade and investment relations notably with Indonesia, Malaysia, Panama, the Russian Federation, and Vietnam. For a full overview of EFTA's trade relations, see the map and legend on page 16.

It should be noted that while the EFTA States are pursuing a policy of strengthening and expanding their free trade network, they continue to attach the highest priority to a well-functioning multilateral trade system under the auspices of the WTO. In EFTA's view, the multilateral and bilateral approaches are mutually supportive.



What is in an EFTA Free Trade Agreement?

EFTA FTAs establish a free trade area between the partner countries, by providing for free trade in industrial goods, including fish and other marine products; by liberalising trade in processed agricultural products; by including trade disciplines; and by establishing rules on customs and origin matters. Trade in basic agricultural products is covered in bilateral agreements between the individual EFTA States and the partner country, which form part of the instruments establishing the free trade area.

Some EFTA FTAs liberalise trade in services, investments and/or public procurement, as in the case of the agreements with Chile, Colombia, GCC, the Republic of Korea, Mexico and Singapore. In other FTAs (e.g. with partners in the Mediterranean region) the further development and deepening of relations in these fields is foreseen through evolutionary clauses.

EFTA FTAs provide for the protection of intellectual property rights.

EFTA FTAs include rules on competition to avoid restraints which could reduce the benefits of the agreement.

EFTA FTAs contain provisions for the avoidance and the settlement of disputes between the parties.

EFTA FTAs are regularly reviewed and upgraded, taking into account developments in WTO and in relations with other trading partners.

FTA NETWORK - ACROSS EUROPE AND BEYOND



Agriculture

In its FTAs, EFTA – as does the European Union – generally distinguishes between basic agricultural products (e.g. grain, milk, sugar) and processed agricultural products (e.g. bread, soup, chocolate). In principle, EFTA grants free trade in processed products. However, certain measures that compensate for the higher costs of raw materials used by the EFTA food processing industry are maintained.

Basic agricultural products are dealt with in separate bilateral arrangements between each EFTA State and the partner country, taking into account that the EFTA States do not have a common agricultural policy.

Fish and Other Marine Products

The fisheries sector accounts for nearly one half of Iceland's total exports of goods and is also an important part of Norway's export industry. As the fisheries sector of both EFTA States export worldwide, free trade in fish and other marine products constitutes an important element of EFTA's free trade agreements.

Rules of Origin

Rules of origin are essential to the functioning of a free trade agreement as they determine which products may benefit from preferential conditions. In order to qualify as 'originating' under an FTA, products (both industrial and agricultural) need to be either 'wholly obtained' or 'sufficiently worked or processed' in the country of a free trade partner. With production processes increasingly spread over several countries, rules of origin also specify the extent to which domestic products may contain materials imported from a third country without losing preferential status under the FTA.

Intellectual Property Rights

The effective protection of intellectual property rights (IPR) is essential for international trade. EFTA's FTAs provide for high standards of IPR protection and include measures to enforce such rights against infringement, counterfeiting and piracy. The provisions build on the principles of national treatment and most-favoured-nation treatment as set out in the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).



Mladjan Dinkic, Serbian Minister of Economy and Regional Development, shaking hands with Aurelia Frick, Foreign Minister of Liechtenstein, after the signing of the EFTA-Serbia Free Trade Agreement in Geneva in December 2009.

Services and Investment

EFTA FTAs with European and Mediterranean countries normally contain evolutionary clauses aiming at the gradual liberalisation and mutual opening of markets in the areas of services. Other agreements liberalise trade in services, covering all modes of supply and featuring special sections or annexes for certain sectors of particular importance, e.g. financial services and telecommunications. Such provisions are based on the WTO General Agreement on Trade in Services (GATS) and comprise enhanced commitments for specific services sectors.

With respect to investment, FTAs concluded by the EFTA States follow different patterns. Substantive provisions have notably been included in the FTAs with Chile, Colombia and Singapore. These agreements liberalise the establishment of businesses and may extend to other aspects such as promotion of investments and capital movements.

Competition

EFTA FTAs also contain rules on competition, in recognition of the fact that liberalisation of trade may be undermined by business practices that prevent, restrict or distort competition between economic actors in the free trade area. These provisions also apply to activities of public enterprises and monopolies.

Public Procurement

Open public procurement markets reduce public expenditure, ensure fair competition and provide for transparency, thereby preventing corruption and other illicit purchasing practices. In several of EFTA's recent FTAs, chapters on public procurement have therefore

been included on the basis of the principles of reciprocity, non-discrimination and transparency. Such provisions either build on the WTO Government Procurement Agreement or substantially replicate its structure and content.

Joint Committee

A Joint Committee composed of representatives of the EFTA States and the partner country supervises the implementation of each FTA. To facilitate its work, the Joint Committee may establish sub-committees, e.g. in the field of customs and origin matters. Joint Committees normally meet every second year.

Dispute Settlement

EFTA FTAs provide for consultations as the principal means of settling any differences that may arise between the partner countries concerning the interpretation and application of an agreement. However, if an amicable solution cannot be found, arbitration mechanisms included in all recent agreements allow for a judicial decision on the matter.

Different Levels of Economic Development

EFTA FTAs take into account the partner countries' levels of economic development. While the EFTA States normally abolish all tariffs and other restrictions on industrial products upon entry into force of the agreement, less economically developed partner countries may benefit from transitional periods. These periods are intended to provide the partners concerned with the time necessary to adapt their economies to free trade conditions.

EFTA Joint Declarations on Cooperation:

Can be the first step towards free trade relations between the partners.

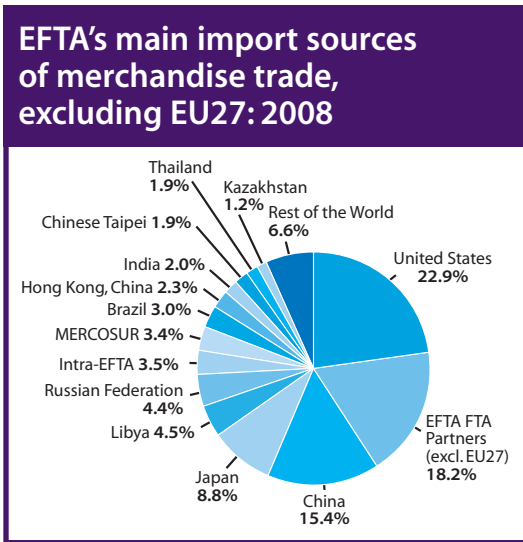
Cover cooperation on trade-related issues such as technical and other barriers to trade, customs and origin matters, and intellectual property rights.

Aim to improve conditions for cooperation projects of the private sector.

Establish a Joint Committee to review the cooperation between the partners, to examine ways and means to liberalise trade and investment between the parties, and to discuss any other issue of mutual interest.

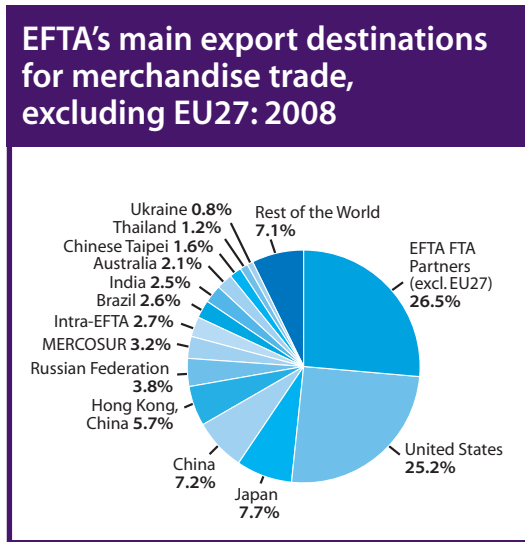
EFTA has signed JDCs with: Albania, Algeria, Colombia, the Gulf Co-operation Council (GCC; comprising Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates), the Southern Common Market (MERCOSUR; comprising Argentina, Brazil, Paraguay, Uruguay and Venezuela), Mauritius, Mongolia, Montenegro, Peru, Serbia, and Ukraine.

Fig. 3



Source: GTI, Global Trade Atlas

Fig. 4



Source: GTI, Global Trade Atlas

Technical Assistance

Technical assistance is included in some of EFTA's FTAs. Its main objective is to assist free trade partners in the implementation of the agreements and to strengthen their capacity to benefit from preferential access to the EFTA markets. Capacity-building, training, and transfer of know-how in trade-related matters are at the core of technical assistance activities.

To make the best use of available resources, technical assistance focuses on areas where EFTA can provide expertise, such as technical standards, rules of origin and general customs procedures, fisheries, trade in services, intellectual property rights, and promotion of exports towards the EFTA States. However, EFTA's approach is flexible and allows for an examination of any request for assistance from partner countries, in accordance with the guidelines set by the EFTA Council.



EFTA's main trading partners in merchandise trade: 2008 (in million USD and %) Fig. 5

Rank	Country	Total trade	Share (%) in world total	Exports	Imports
	World	646 417	100	369 837	276 579
1	Free Trade Partners	516 675	79.9	294 253	222 422
	EU27	470 458	72.8	263 045	207 413
	EFTA 29 FTA Partners (excl. EU27)	40 923	6.3	28 306	12 617
	Intra-EFTA	5 293	0.8	2 901	2 392
2	United States	42 772	6.6	26 944	15 827
3	China	18 330	2.8	7 683	10 646
4	Japan	14 245	2.2	8 180	6 064
5	Hong Kong, China	7 652	1.2	6 048	1 604
6	Russian Federation	7 122	1.1	4 095	3 027
7	Mercosur	5 743	0.9	3 387	2 355
8	India	4 129	0.6	2 720	1 409
9	Libya	3 383	0.5	273	3 110
10	Chinese Taipei	3 077	0.5	1 728	1 349
11	Australia	2 889	0.4	2 240	648
12	Thailand	2 666	0.4	1 329	1 338
13	Kazakhstan	1 674	0.3	839	834
14	Malaysia	1 467	0.2	743	724
15	Ukraine	1 148	0.2	872	277

Source: GTI, Global Trade Atlas

EFTA 29 FTA Partners (excluding EU27) includes: Albania, Canada, Chile, Colombia, Croatia, Egypt, Gulf Cooperation Council (GCC, comprising Saudi Arabia, Qatar, Bahrain, Oman, Kuwait, United Arab Emirates), Israel, Jordan, Lebanon, Macedonia, Mexico, Morocco, Palestinian Authority, Republic of Korea, Serbia, Singapore, Southern African Customs Union (SACU, comprising Botswana, Lesotho, Namibia, South Africa, Swaziland), Tunisia and Turkey.

THE EEA AGREEMENT

The Agreement on the European Economic Area (EEA), which entered into force on 1 January 1994, brings together 27 EU Members and three EFTA countries — Iceland, Liechtenstein and Norway (the EEA EFTA States) — in a single internal market, referred to as the “Internal Market.”

The EEA Agreement provides for the inclusion of EU legislation that covers the four freedoms — the free movement of goods, services, capital and persons — throughout the 30 EEA States. In addition, the Agreement covers cooperation in other important areas such as research and development, education, social policy, the environment, consumer protection, tourism and culture, collectively known as “flanking and horizontal” policies. The Agreement guarantees equal

rights and obligations within the Internal Market for citizens and economic operators in the EEA.

What is the EEA Not?

The EEA Agreement does not cover the EU’s:

- Common Agriculture and Fisheries Policies (although the Agreement contains provisions on various aspects of trade in agricultural and fish products);
- Customs Union;
- Common Trade Policy;
- Common Foreign and Security Policy;
- Justice and Home Affairs (even though the EFTA countries are part of the Schengen area); or
- Monetary Union (EMU).

The EU27’s top trading partners in merchandise trade: 2008

(in million EUR and %)

Fig.6

Rank	Country	Trade	EU exports	EU imports	Balance	In % of EU's external trade
	Extra EU27	2 872 757	1 306 671	1 566 086	-259 415	100.0
1	United States	436 914	250 104	186 810	63 294	15.2
2	China	326 269	78 439	247 830	-169 391	11.4
3	EFTA	325 116	145 339	179 777	-34 438	11.3
4	Russia	283 015	105 108	177 907	-72 799	9.9
5	Japan	117 497	42 343	75 154	-32 811	4.1

Source: EUROSTAT - Figures are presented as reported by EU27

The EU27’s top trading partners in trade in services: 2008

(in million EUR and %)

Fig.7

Rank	Country	Trade	EU exports	EU imports	Balance	In % of EU's external trade
	Extra EU27	963 917	521 182	442 734	78 448.1	100.0
1	United States	267 102	134 387	132 716	1 671.1	27.7
2	EFTA	147 300	86 631	60 670	25 961.2	15.3
3	Russia	34 671	21 066	13 605	7 461.8	3.6
4	China (excl. Hong Kong)	35 139	20 034	15 105	4 928.5	3.6
5	Japan	33 798	19 243	14 555	4 688.2	3.5

Source: EUROSTAT - Figures are presented as reported by EU27

The EU27’s merchandise trade with EFTA (excluding intra-EU27 trade): 2008

(in million EUR and %)

Fig.8

Country	EU imports from	Annual % change	Share (%) in total EU imports	EU exports to	Annual % change	Share (%) in total EU exports	Balance	Imports+ exports
EFTA-4	179 777	14.3	11.5	145 338	3.3	11.1	-34 439	325 115
Iceland	2 699	17.7	0.2	2 263	-28.6	0.2	-436	4 962
Liechtenstein	1 169	-19.6	0.1	1 235	-1.8	0.1	66	2 404
Norway	95 782	25.0	6.1	43 763	0.5	3.3	-52 019	139 545
Switzerland	80 127	4.2	5.1	98 077	5.7	7.5	17 950	178 204

Source: EUROSTAT - Figures are presented as reported by EU27 and might differ from table 09 which presents figures as reported by EFTA countries



Decision-making

Whenever an Internal Market-related EU act is amended or a new one adopted by the EU, the contracting parties assess its EEA relevance with a view to amending the applicable annex to the EEA Agreement in order to bring the Agreement as close as possible to EU legislation. This permits harmonious development of law in the EEA, i.e. both within the EU and the EEA EFTA States. However, both parties to the Agreement can request consultation on matters of concern, and negotiate adaptations to the EU legislation in question.

The EEA Agreement does not transfer any legislative powers from any of the contracting parties and therefore does not impose any direct effect of EU legislation in the EEA EFTA States. The adoption of EEA rules thus takes place in the EEA institutions set up by the Agreement. The EEA EFTA States then implement the EEA rules on the national level.

Decision-shaping

The EEA EFTA States do not have the right to vote in the political decision-making within EU institutions. However, the EEA Agreement provides the EEA EFTA States with the opportunity to contribute to the shaping of EU legislation at the preparatory stage by participating in the European Commission's experts groups and comitology committees. Experts groups are formed to advise and assist the Commission with the drafting of new laws, which the EU Council of Ministers and the European Parliament subsequently adopt.

The participation of EEA EFTA experts and representatives in over 500 such committees and experts groups is a valuable and much appreciated opportunity for acquiring information and contributing to new legislative proposals at the earliest stages of policy formation.

Participation in Programmes

Every year, more than 1 500 organizations, public bodies and entities in the EEA EFTA States participate in the numerous EU programmes. The programmes, projects and networks range from youth exchange programmes and research to public health and development of digital content. More than 15 000 students from the EEA EFTA States have studied abroad through the Erasmus Programme, while many cultural institutions participate

in film, theatre or musical projects through the Culture Programme. The participation of EFTA States has proven to be beneficial for both sides. While allowing EFTA and EU participants to find partners across the continent, the programmes also provide an opportunity for the EU to benefit from the expertise and best practices of EFTA States, in addition to the increase in the programmes' budget through the financial contributions of the EFTA States.

Currently, the EEA EFTA States participate through the EEA Agreement in the following EU programmes and activities (by order of decreasing budgets):

- 7th Research Framework Programme
- Lifelong learning programme
- Galileo Programme (only Norway)
- Competitiveness and Innovation Framework Programme
- Youth in action
- Media
- Employment and Social Solidarity (PROGRESS)
- Erasmus Mundus II (action 1 and 3)
- Marco Polo
- Culture
- Health Programme
- Community Statistical Programme
- Civil Protection Financial Instrument
- Interoperability Solutions for European Public Administrations (foreseen from 2010)
- Consumer Policy Programme
- Protecting children using the internet
- Fight against violence (Daphne)
- Modernisation of EU Enterprise and Trade Statistics (MEETS)
- Drugs Prevention and Information

For a detailed overview of EU programmes with EEA EFTA participation, please see the relevant section on the EFTA website: <http://www.efta.int/eea/eu-programmes/Participation>

Participation in EU Agencies

Over the last decades, a number of EU agencies have been set up. Many of the agencies are **regulatory** agencies that implement and execute EU regulations. The EEA EFTA States participate through the EEA Agreement in several of the EU agencies:

- European Agency for Safety and Health at Work (from 2010)



- European Aviation Safety Agency
- European Centre for Disease Prevention and Control
- European Centre for the Development of Vocational Training
- European Chemicals Agency
- European Environment Agency
- European Food Safety Authority (from 2010)
- European Foundation for the Improvement of Living and Working Conditions
- European GNSS Supervisory Authority
- European Maritime Safety Agency
- European Medicines Agency
- European Network and Information Security Agency
- European Railway Agency

Several **executive** agencies have also been set up. Their tasks are limited to the implementation of EU programmes.

EFTA Statistical Office (ESO)

The EFTA Statistical Office (ESO) was created in 1991 as a liaison office between Eurostat and the EFTA national statistical institute and is located on the premises of Eurostat, the Statistical Office of the European Communities, in Luxembourg.

ESO's main objective is to sustain the integration of the EFTA States in the evolving European Statistical System, and thus to provide harmonised and comparable statistics supporting the general cooperation process between EFTA and the EU. This cooperation is governed by the EEA Treaty and the Swiss/EC Bilateral Agreement in the field of statistics. It has progressively extended to EFTA participation in EU statistical assistance projects with third countries and the European Statistical Training Programme (ESTP).

ESO is backed by the Working Group of the Heads of National Statistical Institutes. The Group meets at least once a year and brings together the Directors General of the national statistical institutes of all EFTA countries. For EEA matters, Switzerland is an observer.

Joint EEA Bodies

The EEA Council

The EEA Council meets twice a year and provides political impetus for the development of the Agreement. In the EEA Council the EEA EFTA side is represented by their respective foreign ministers. The EU is represented by the so-called troika, which is led

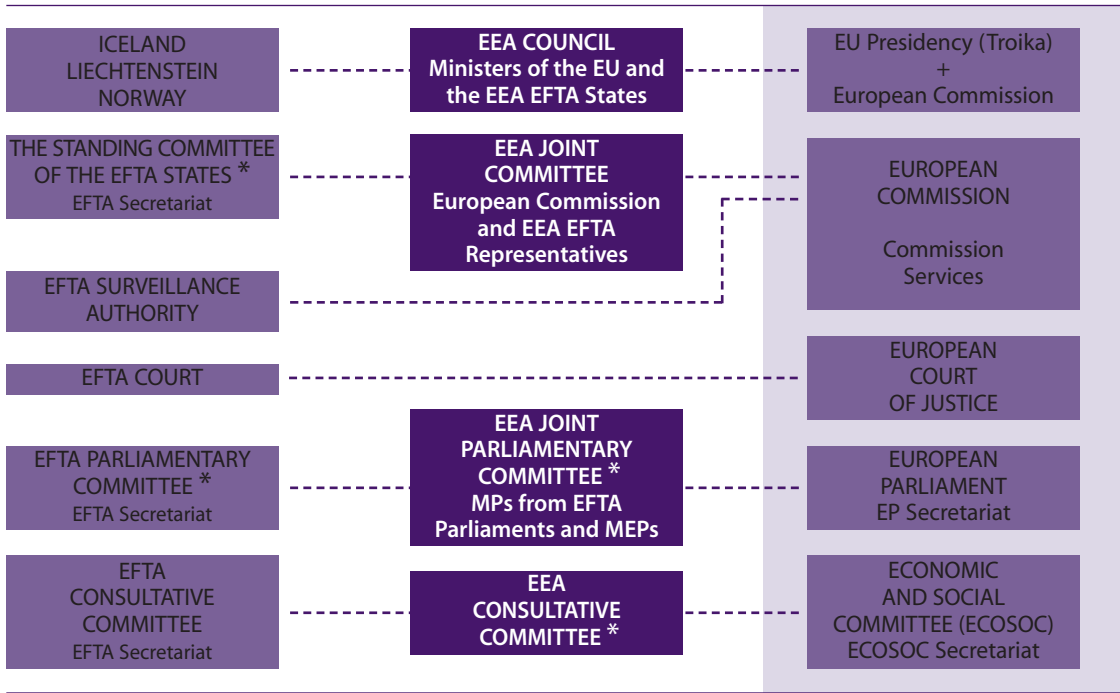


EEA EFTA Financial contribution to EU programmes, agencies and other activities (amounts in €1000)

Fig. 9

Sectors of Activity	2008	2009
Research	140 293	155 145
Education, training and youth	27 587	28 540
Enterprise, innovation, SMEs	8 245	8 412
Audio-visual sector	3 236	3 476
Transport	3 114	5 824
Social policy and employment	2 903	2 890
Product requirements (chemicals and medicines)	2 427	2 421
Public health	2 384	2 828
Information services	2 353	2 260
Energy	1 994	2 795
Culture	1 431	1 245
Statistics	1 117	953
Environment	808	829
Civil protection	675	653
Consumer policy	583	620
Total EEA EFTA Contribution	199 140	218 891

The Two-Pillar EEA Structure



* Switzerland is an observer

This figure illustrates the management of the EEA Agreement. The left pillar shows the EFTA States and their institutions, while the right pillar shows the EU side. The joint EEA bodies are in the middle.

by the foreign minister of the rotating EU Council Presidency, the European Commissioner for External Relations and the High Representative for the EU's Common Foreign and Security Policy. The external representation of the EU could change under the Lisbon Treaty, but a decision on the new arrangements had not yet been made at the time of writing.

The EEA Joint Committee

The EEA Joint Committee (EEA JC) is responsible for the management of the EEA Agreement. It is a forum in which views are exchanged and decisions taken by consensus to incorporate EU legislation in the EEA Agreement. The Joint Committee is made up of the EEA EFTA States' Ambassadors and representatives of the European Commission and meets monthly.

The EEA Joint Parliamentary Committee

The EEA Joint Parliamentary Committee is an advisory body that comprises members of the national parliaments of the EEA EFTA States and Members of

the European Parliament (MEPs). It is not directly involved in the EEA decision-making process, but through reports and resolutions it aims to scrutinise the decisions taken in the EEA JC.

The EEA Consultative Committee

The EEA Consultative Committee is an advisory body made up of members of the EFTA Consultative Committee and the European Economic and Social Committee. The Committee works to strengthen contacts between the social partners on both sides and to cooperate in an organised and regular manner to enhance awareness and provide input on the economic and social aspects of the EEA.

EEA EFTA Bodies

The Standing Committee of the EFTA States

The Standing Committee of the EFTA States serves as a forum in which the EEA EFTA States consult one



another and arrive at a common position before meeting with the EU in the EEA Joint Committee. It consists of the Ambassadors of Norway, Iceland and Liechtenstein to the EU and observers from Switzerland and the EFTA Surveillance Authority. The Committee's sub-structure consists of five subcommittees, under which there are several working groups.

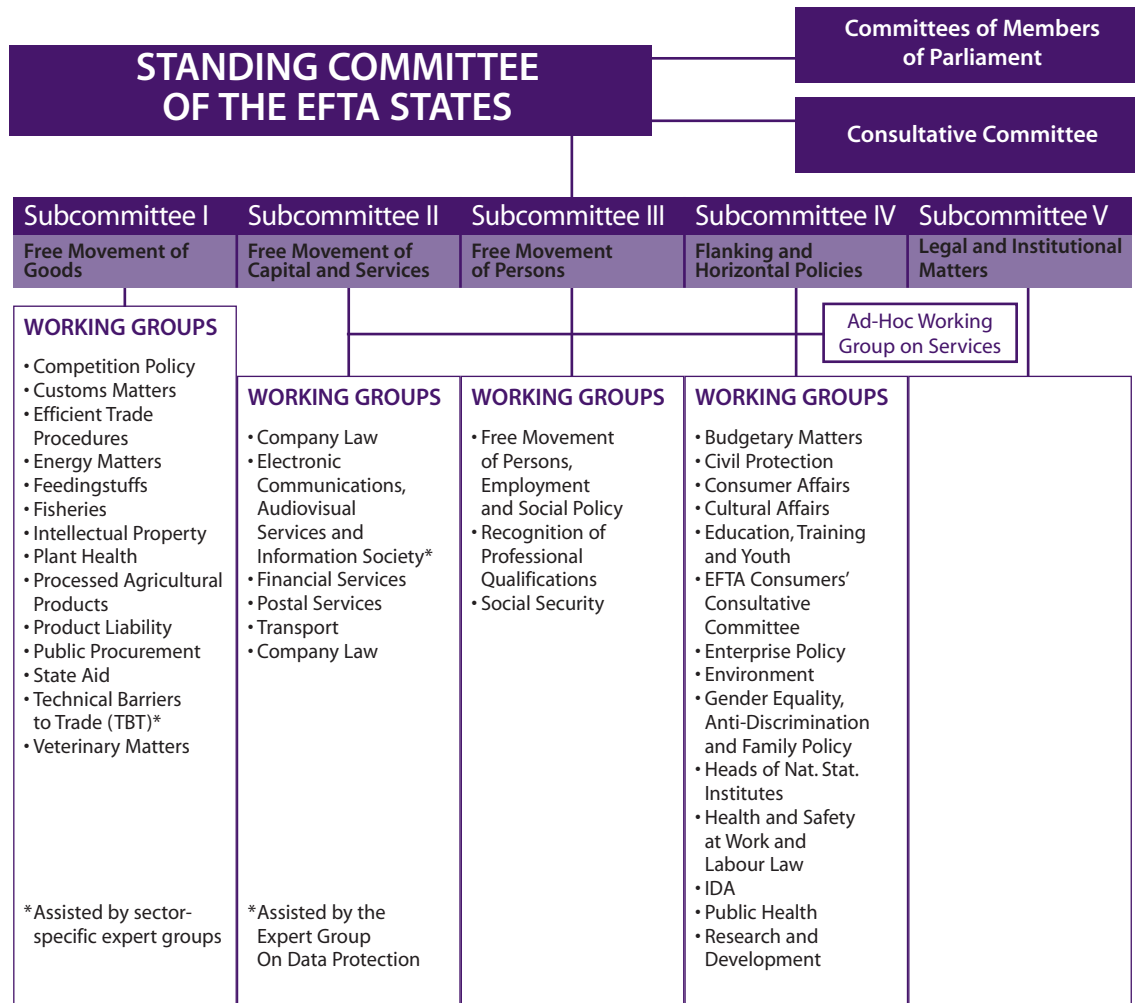
The EFTA Surveillance Authority

Located in Brussels, the EFTA Surveillance Authority ensures that Iceland, Liechtenstein and Norway respect their obligations under the EEA Agreement, in the same way that the EU Member States are supervised by the European Commission. It also ensures that enterprises in these countries abide by the rules relating to effective competition. The Authority can investigate possible infringements of EEA provisions,

either on its own initiative, or on the basis of complaints. There is close contact and cooperation between the Commission and the Authority.

The EFTA Court

The EFTA Court, based in Luxembourg, corresponds to the Court of Justice of the European Communities in matters relating to the EEA EFTA States. The Court deals with infringement actions brought by the EFTA Surveillance Authority against an EEA EFTA State with regard to the implementation, application or interpretation of an EEA rule. The Court also handles the settlement of disputes between two or more EEA EFTA States. It also hears appeals against decisions taken by the EFTA Surveillance Authority and gives advisory opinions to courts in the EEA EFTA States on the interpretation of EEA rules.



EFTA EEA Seminar

Twice a year, the EFTA Secretariat organizes an EEA Seminar in Brussels. The aim of this seminar is to provide professionals, both in the public and private sector, with an overview of how the EEA Agreement works in practice, including its structure and procedures.

More information regarding the EEA Seminars is available on the EFTA website: <http://www.efta.int/eea/seminars/>



Financial Mechanisms

Since the establishment of the European Economic Area in 1994, the EEA EFTA States have contributed substantial funding in order to reduce economic and social disparities in Europe.

The EEA Financial Mechanism 1994-1998

The first Financial Mechanism entered into force on 1 January 1994 and was open for commitments until 31 December 1998. The former EFTA members Austria, Finland and Sweden also contributed to this grant scheme. Greece, Ireland, Portugal, Northern Ireland, Portugal and Spain benefited from €500 million of funding, as well as an interest rebate scheme in the European Investment Bank. A total 56 projects were funded within the fields of environment (61%), education and training (22%) and transport (17%).

The EEA Financial Instrument 1999-2003

The EEA Financial Instrument was established in 1999, making available €120 million of support from Iceland, Liechtenstein and Norway to Greece, Ireland, Portugal, Northern Ireland, Portugal and Spain. By the end of the commitment period, 25 projects within the fields of environment (93%), education and training (5.4%) and transport (1.3%) had received funding.

The EEA and Norway Grants 2004-2009

Building on the previous grant schemes, the EEA and Norway Grants were established in 2004 in connection with the historic enlargement of the European Union and the European Economic Area (EEA). They are formally known as the EEA Financial Mechanism and the Norwegian Financial Mechanism. The Financial Mechanism Office (FMO) in Brussels, which is administratively linked to the EFTA Secretariat, administers the grant schemes on behalf of Iceland, Liechtenstein and Norway.

With the EEA and Norway Grants, the EEA EFTA States aim to contribute towards:

- **solidarity**, by reducing social and economic disparities in the enlarged EEA;
- **opportunity**, by helping new EEA members become fully integrated in the Internal market; and
- **cooperation**, by bringing old and new EEA members together and opening new arenas of political and economic relations.

In the five-year period 2004-2009 the EEA EFTA States made available €1.3 billion¹ in support to the twelve new EU member states since 2004, as well as Greece, Portugal and Spain. Norway represents 97 percent of this contribution. By the end of the commitment period 30 April 2009, 1250 projects, programmes and funds

¹ Including administrative costs and €68 million under the Norwegian cooperation programmes with Bulgaria and Romania, which compose the Norway Grants for these two countries, and which are administered separately by Innovation Norway.

were awarded support throughout the 15 beneficiary states. A majority of beneficiaries were public authorities at different administrative levels, while much support has also been channelled to educational and research institutions, as well as non-governmental organisations. All projects are to be implemented by 30 April 2011.

Figure 10 shows the distribution of awarded grants at the commitment deadline 30 April 2009.



The EEA Grants support the Foundation for Polish Science's Homing Programme, which provides scholarships and financial assistance to encourage young Polish scientists such as Dr Marek Marcinek to return to Poland. The Research Council of Norway participates as a partner in the project. (Photo: Piotr Waniorek, Żelazna Studio).

Partnership projects

Institutions from Iceland, Liechtenstein and Norway can participate as project partners with beneficiaries. More than 20 percent of all supported projects are being implemented by cooperating institutions in the beneficiary and donor states. Within academic research, more than 3 in 5 projects are partnership projects. In addition, several of the funds explicitly target partnerships with stakeholders in the EEA EFTA states. One such example is the Cultural Exchange Fund in Poland, which supports projects implemented in cooperation with entities from the donor states within the fields of music and performing arts, plastic and visual arts, literature and archives and cultural heritage. All projects under the Norwegian cooperation programmes with Bulgaria and Romania have a Norwegian partner.

The EEA and Norway Grants 2009-2014

In December 2009, an agreement was reached between the EEA EFTA States and the European Union on new financial contributions for the period 2009-2014. In accordance with the Agreed Minutes, Iceland, Liechtenstein and Norway will provide €357.7 million per year over this five-year period to reduce social and economic disparities in the EEA and to strengthening of their relations with the beneficiary states. Norway provides 97% of the total amount.

The 15 beneficiary states are the same as in the previous five-year period, with Spain receiving transitional support until December 2013. Supported sectors will be environmental protection and management, climate change and renewable energy, carbon capture and storage, green industry innovation, research and scholarship, protecting cultural heritage, civil society, promotion of decent work and tripartite dialogue, justice and home affairs, and human and social development.

Priority sectors

Close to a quarter of the EEA and Norway Grants 2004-2009 was awarded to 'green' projects within the environment and sustainable development sector, followed by conservation of European cultural heritage and health and childcare. Special NGO Funds have been set up to target civil society in the beneficiary states. Projects will be in implementation until April 2011.

Distribution of EEA and Norway Grants 2004-2009

Fig. 10

Priority sectors	Grants	Million euro
Academic research	95	83.0
Conservation of European cultural heritage	225	257.6
Environment and sustainable development	356	283.8
Health and childcare	241	175.3
Human resource development	166	130.7
NGO funds/civil society support	19	85.3
Regional policy and cross-border activities	60	56.9
Schengen and judiciary	57	127.1
Other	31	30.7
Total	1250	1230.4

Including 53 projects under the Norwegian cooperation programmes with Bulgaria and Romania

EFTA INSTITUTIONS

The EFTA Council

The EFTA Council manages relations between the EFTA States under the EFTA Convention. It is the forum in which the Member States consult, negotiate and act together. The Council's policy-making mandate is broad. The policies are designed to promote the overall objectives of the Association and to facilitate the development of links with other states, groups of states and international organisations. The Council is also responsible for administrative and budgetary matters within EFTA.

The Council normally meets at Ministerial level twice a year. The Ministers meet in both formal and informal settings to provide direct political guidance for EFTA's work. At their summer meeting, they discuss both free trade relations and the EEA Agreement. If required, an additional meeting devoted to free trade relations is held at the end of the year. Between the Ministerial meetings the Council meets monthly at ambassadorial level.

A number of specialised committees and expert groups assist and report directly to the Council. The Committee on Third-Country Relations, for instance, oversees the functioning and development of free trade and cooperation agreements with countries outside the European Union. The Committee on Customs and Origin Matters deals with cooperation in the customs field. The EFTA Board of Auditors is the supreme auditing authority for the EFTA Secretariat. It also serves as a point of contact with the European Court of Auditors for the auditing of EFTA contributions to the EU budget on the basis of the EEA Agreement. The Budget Committee assists the Council on EFTA budgetary matters.

A number of committees manage the updating of the EFTA Convention.

EFTA Advisory Bodies

The EFTA Consultative Committee (comprising representatives of industry and labour) and the EFTA Parliamentary Committee (comprising members from



The Secretaries-General troika. Kåre Bryn, Secretary-General, Bergdís Ellertsdóttir, Deputy Secretary-General in Brussels, and Didier Chambovey, Deputy Secretary-General in Geneva.

the EFTA parliaments), work to advise the Council on current EFTA affairs. Both Committees have formal links with their colleagues in the EU (“The Two-Pillar EEA Structure”, p.20). Occasionally, they also meet with their counterparts in countries with which EFTA has free trade relations.

Managing the EFTA Secretariat

The day-to-day running of the Secretariat is headed by the Secretary-General, who is assisted by two Deputy Secretaries-General, one located in Geneva and the other in Brussels. The three posts are shared among the Member States.

The organisational structure of the Secretariat reflects the different fields of EFTA’s activities. The Secretariat employs approximately 90 staff members, one third of whom are based in Geneva and two thirds in Brussels and Luxembourg. All Secretariat staff members are employed on three-year contracts, renewable once.

While working at the Secretariat, staff members are servants of the Association and therefore not responsible to their national governments.

The Headquarters in Geneva deals with the management and negotiation of free trade agreements with non-EU countries, and assists the EFTA Council.

In Brussels, the Secretariat provides support for the management of the EEA Agreement and assists the Member States in the preparation of new legislation for integration into the EEA Agreement. The Secretariat also aids the Member States in the elaboration of input to EU decision-making.

The two duty stations work closely together to implement the Vaduz Convention as regards the intra-EFTA free trade area.

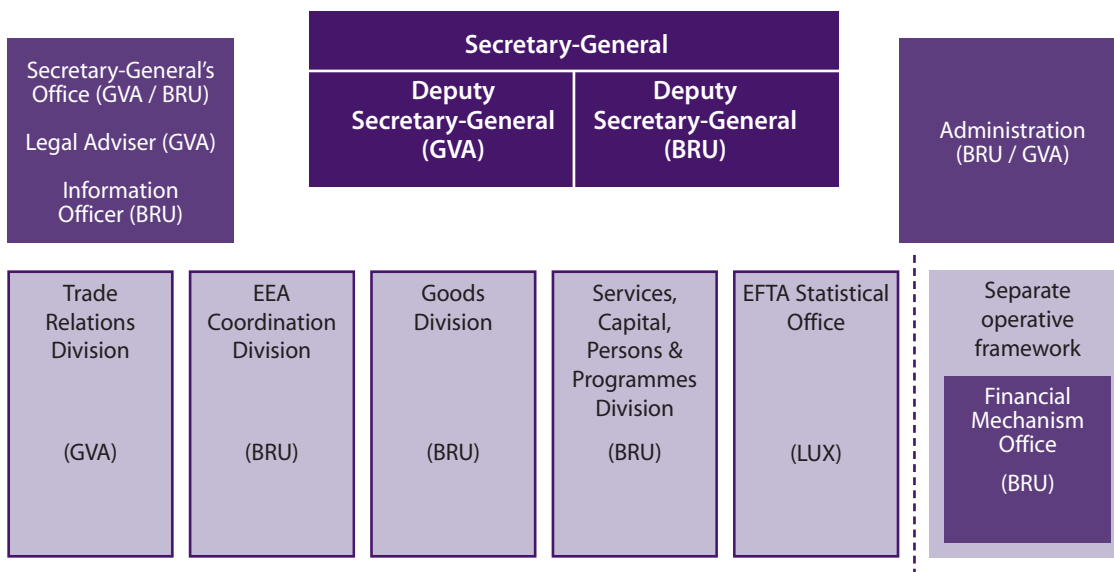
The EFTA Statistical Office in Luxembourg contributes to the development of a broad and integrated European Statistical System.



European Standardisation

The EFTA countries and the European Commission closely co-operate on creating and implementing a European standardisation policy. This includes parallel financing of standards-related work carried out by the European Standards Organisations: the European Committee for Standardisation (CEN), the European Committee for Electrotechnical Standardisation (CENELEC) and the European Telecommunications Standardisation Institute (ETSI). EFTA also co-finances the activities of ANEC (European association for the co-ordination of consumer representation in standardisation), ECOS (European Environmental Citizens Organisation for Standardisation) and EOTA (European Organisation for Technical Approvals).

Organisational Chart



EFTA Budget 2010 (in CHF)

Fig. 11

Budget posts	Budget 2010
Trade relations	4 540 000
Managing the EEA Agreement	9 624 000
EFTA/EU Statistical cooperation	885 000
Secretary/General Services	2 160 000
EU-EFTA and EFTA cooperation programmes	3 471 000
Internal activities	4 330 000
Total EFTA Secretariat	25 010 000

Contributions to the EFTA Budget 2010

Fig. 12

Member State	Contributions (in CHF)	Share (in %)
Iceland	1 204 000	4.81
Liechtenstein	219 000	0.88
Norway	14 079 000	56.29
Switzerland	9 508 000	38.02
Total	25 010 000	100.00

EFTA IN FIGURES

EFTA's merchandise trade with the world and the EU27: 2008

(in million EUR and %)

Fig. 13

Country	Total trade with world	Imports	Exports	Total trade with EU27	%	Imports	Exports
Iceland	7 732	4 149	3 583	5 009	64.8	2 243	2 766
Liechtenstein	4 225	1 550	2 674	3 101	73.4	1 669	1 433
Norway	174 018	60 447	113 571	135 900	78.1	41 201	94 699
Switzerland	256 544	122 904	133 641	178 152	69.4	96 410	81 741

Source: EUROSTAT - Figures are presented as reported by EFTA countries and might differ from tables 08 which presents figures as reported by EU-27

Leaders in world merchandise trade (excluding intra-EU27 trade): 2008

(in billion USD and %)

Fig. 14

Rank	Country	Total	Share (%) in world total	Exports	Imports
1	Extra-EU27	4 207.2	17.14	1 924.9	2 282.2
2	United States	3 456.9	14.08	1 287.4	2 169.5
3	China	2 560.8	10.43	1 428.3	1 132.5
4	Japan	1 544.6	6.29	782.0	762.6
5	Canada	874.8	3.56	456.5	418.3
6	Korea, Republic of	857.3	3.49	422.0	435.3
7	Russian Federation	763.5	3.11	471.6	291.9
8	Hong Kong, China	763.2	3.11	370.2	393.0
	retained imports	97.6	0.40		97.6
	domestic exports	17.0	0.07	17.0	
	re-exports	353.3	1.44	353.3	
9	Singapore	658.0	2.68	338.2	319.8
	retained imports	157.3	0.64		157.3
	domestic exports	175.7	0.72	175.7	
	re-exports	162.5	0.66	162.5	
10	EFTA	656.9	2.68	378.2	278.7
11	Mexico	614.9	2.51	291.7	323.2
12	Chinese Taipei	496.1	2.02	255.6	240.4
13	India	470.9	1.92	177.5	293.4
14	Saudi Arabia	428.6	1.75	313.4	115.1
15	United Arab Emirates	397.2	1.62	231.6	165.6
16	Australia	387.6	1.58	187.3	200.3
17	Brazil	380.4	1.55	197.9	182.4
18	Thailand	356.5	1.45	177.8	178.7
19	Malaysia	356.4	1.45	199.5	156.9
20	Turkey	334.0	1.36	132.0	202.0
21	Indonesia	265.4	1.08	139.3	126.2
22	South Africa	180.3	0.73	80.8	99.5
23	Iran, Islamic Rep. of	170.8	0.70	113.4	57.4
24	Ukraine	152.5	0.62	67.0	85.5
25	Bolivarian Rep. of Venezuela	143.2	0.58	93.5	49.6
	Total of above⁽¹⁾	21 477.8	87.50	10 517.9	10 959.9
	World (excl. intra-EU27)⁽¹⁾	24 545.0	100.00	12 096.0	12 449.0

Source: WTO Secretariat

⁽¹⁾ Includes significant re-exports or imports for re-export.



Leaders in world commercial services trade (excluding intra-EU27 trade): 2008

(in billion USD and %)

Fig. 15

Rank	Country	Total	Share (%) in world total	Exports	Imports
1	Extra-EU27	1 364	25.43	743	621
2	United States	889	16.58	521	368
3	Japan	314	5.85	146	167
4	China	304	5.68	146	158
5	EFTA	206	3.84	123	83
6	India	186	3.47	103	84
7	Korea, Republic of	166	3.09	74	92
8	Singapore	162	3.02	83	79
9	Canada	151	2.82	65	87
10	Hong Kong, China	138	2.58	92	46
11	Russian Federation	125	2.34	51	75
12	Australia	91	1.70	46	45
13	Thailand	80	1.49	33	46
14	Brazil	73	1.36	29	44
15	Chinese Taipei	67	1.25	34	34
16	Malaysia	58	1.09	29	29
17	United Arab Emirates	52	0.96	9	43
18	Turkey	51	0.95	34	16
19	Israel	43	0.81	24	20
20	Mexico	43	0.80	18	25
21	Egypt	41	0.76	25	16
22	Ukraine	32	0.60	17	15
23	South Africa	29	0.53	12	17
24	Argentina	24	0.46	12	13
25	Kuwait	22	0.42	10	12
Total of above		4 714	87.87	2 481	2 233
World (excl. intra-EU27)		5 364	100.00	2 767	2 597

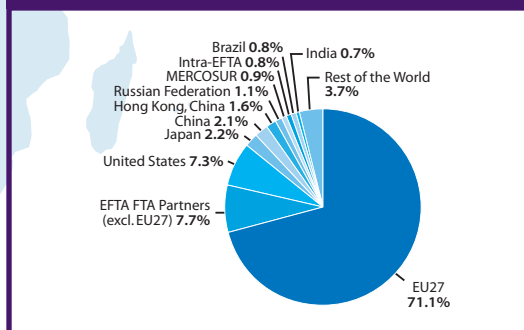
Source: WTO Secretariat



Fig. 16

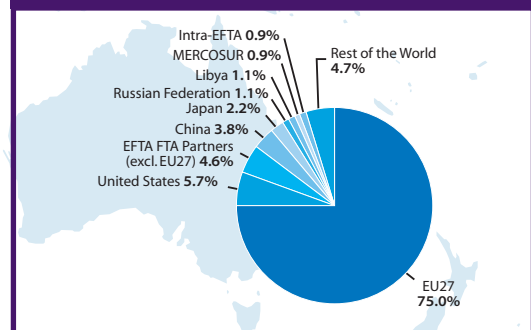
Fig. 17

EFTA's top export destinations for merchandise trade: 2008



Source: GTI, Global Trade Atlas

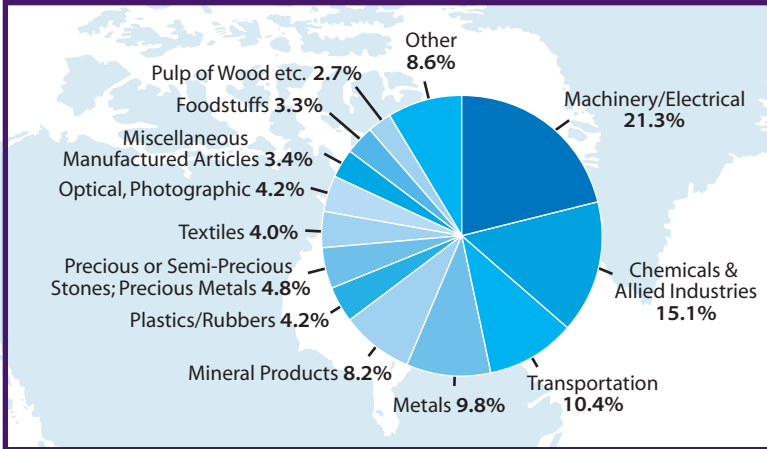
EFTA's top import sources of merchandise trade: 2008



Source: GTI, Global Trade Atlas

Fig. 18

EFTA's key imports by commodity HS Section: 2008

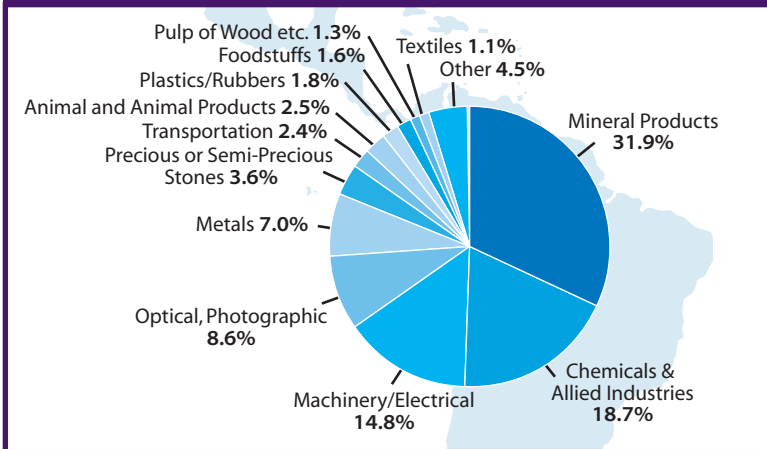


Source: GTI, Global Trade Atlas



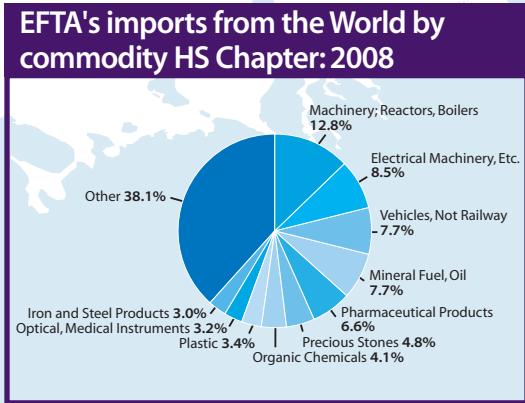
Fig. 19

EFTA's key exports by commodity HS Section: 2008



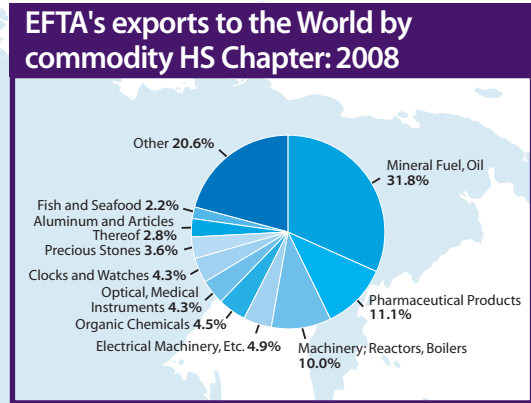
Source: GTI, Global Trade Atlas

Fig.20



Source: GTI, Global Trade Atlas

Fig.21



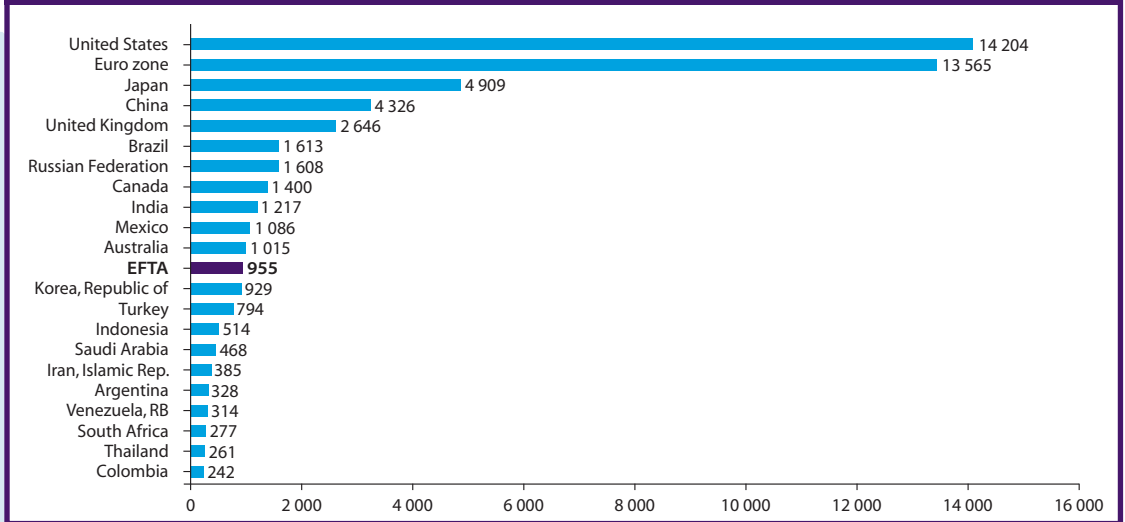
Source: GTI, Global Trade Atlas



GDP world ranking: 2008

(in billion USD)

Fig. 22

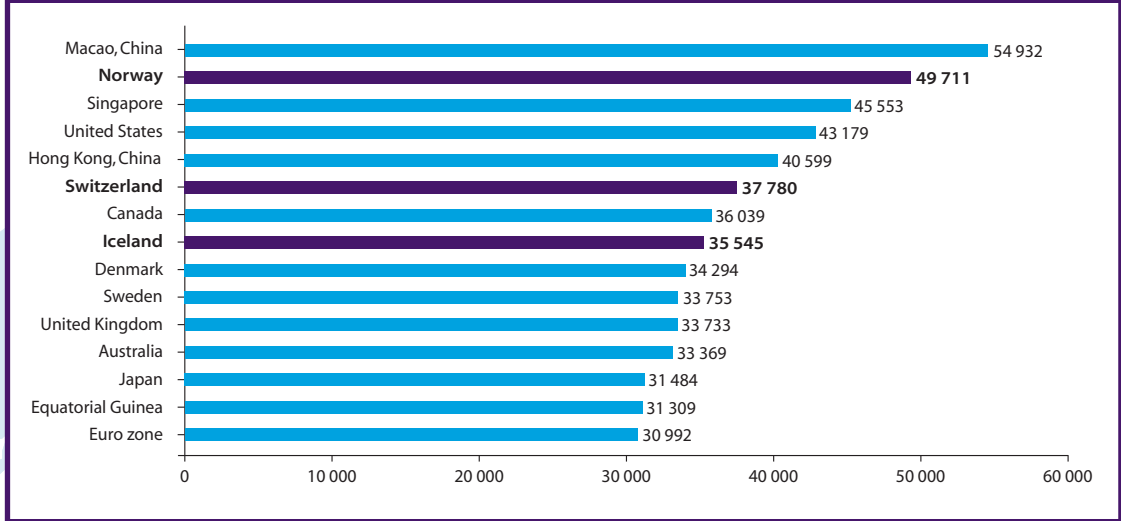


Source: World Bank, World Development Indicators

Leaders in GDP per capita (PPP): 2008

(in constant 2005 international USD)

Fig. 23



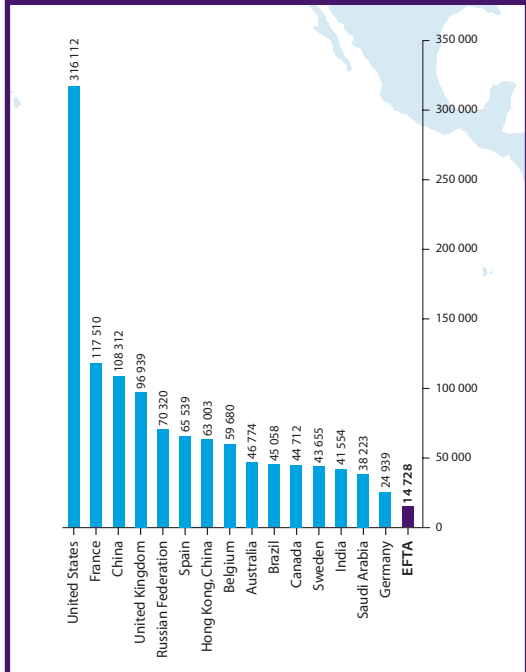
Source: World Bank, World Development Indicators



Global FDI flows by recipient: 2008

(in million USD)

Fig. 24

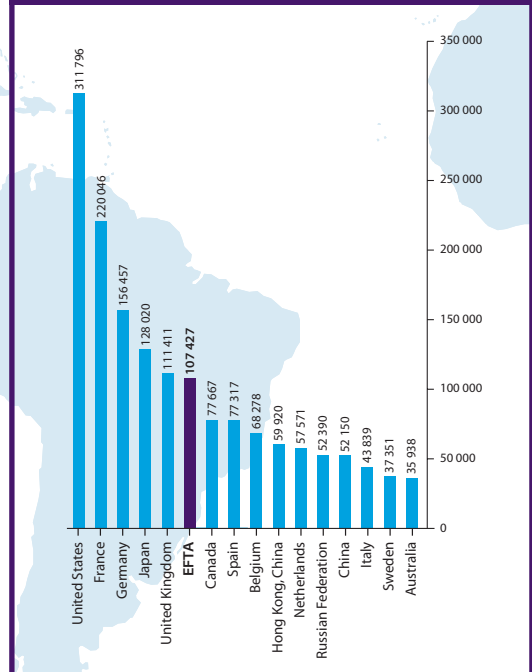


Source: UNCTAD

Global FDI flows by origin: 2008

(in million USD)

Fig. 25

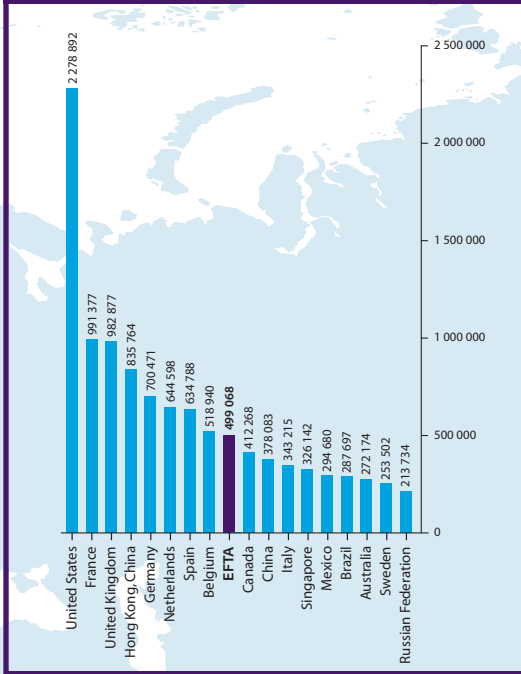


Source: UNCTAD

Global FDI stocks by recipient: 2008

(in million USD)

Fig. 26

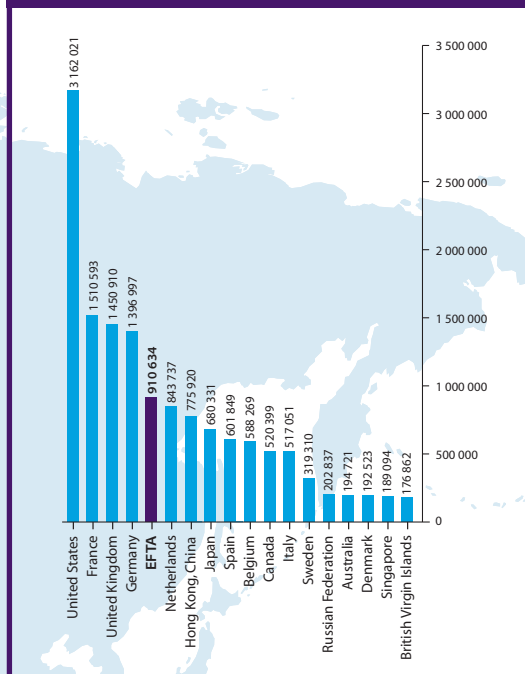


Source: UNCTAD

Global FDI stocks by origin: 2008

(in million USD)

Fig. 27



Source: UNCTAD



Top EFTA listed companies: 2009

Fig. 28

EFTA Rank	Europe Rank	World Rank	Company	Activity	Market Value (in billion USD)
1	2 (3)	15 (14)	Nestlé (CH)	Food producer	129.6
2	4 (7)	18 (24)	Roche Holding (CH)	Pharmaceuticals	119.4
3	6 (12)	26 (38)	Novartis (CH)	Pharmaceuticals	100.2
4	19 (24)	63 (66)	StatoilHydro (NO)	Oil & Gas	56.2
5	38 (56)	110 (118)	Credit Suisse (CH)	Banking	36.1
6	42 (50)	123 (108)	ABB (CH)	Electronic & electric equipment	32.5
7	51 (53)	145 (114)	UBS (CH)	Banking	27.6
8	72 (73)	199 (173)	Zurich Financial Services (CH)	Banking	22.5
9	82 (115)	244 (303)	Syngenta (CH)	Chemicals	19.6
10	95 (166)	328 (489)	Swisscom (CH)	Telecom	15.0
11	105 (193)	380 (n.a.)	Synthes (CH)	Health care equipment	13.2
12	142 (103)	n.a. (276)	Telenor (NO)	Telecom	9.5
13	143 (122)	n.a. (361)	Holcim (CH)	Construction & materials	9.4
14	162 (266)	n.a.	SGS (CH)	Support Services	8.2
15	163 (118)	n.a. (309)	Richemont (CH)	Personal goods	8.2
16	194 (236)	n.a.	Orkla (NO)	Food producer	7.0
17	196 (247)	n.a.	Kuhne + Nagel International (CH)	Industrial Transport	7.0
18	201 (200)	n.a.	The Swatch Group (CH)	Personal goods	6.8
19	212 (190)	n.a.	Yara International (NO)	Chemicals	6.4
20	228 (158)	n.a. (466)	DnB Nor (NO)	Banking	6.0

Source: FT Global 500 Survey: 2009

The FT Global 500 2008 is based on market values and prices at 29 May 2009; the 2008 ranking is indicated in brackets.

EFTA's main trading partners in merchandise trade: 2008

(in million USD and %)

Fig. 29

Rank No	Country	Total trade mn USD	Share %	Exports mn USD	Share %	Rank No	Imports mn USD	Share %	Rank No
	World	646 417	100	369 837	100	n.a.	276 579	100	n.a.
	Free Trade Partners	516 675	79.9	294 253	79.6	n.a.	222 422	80.4	n.a.
	EFTA's 29 FTA Partners (excl. EU27)	40 923	6.3	28 306	7.7	n.a.	12 617	4.6	n.a.
	Intra-EFTA	5 293	0.8	2 901	0.8	n.a.	2 392	0.9	n.a.
	EU27	470 458	72.8	263 045	71.1	n.a.	207 413	75.0	n.a.
1	Germany	134 033	20.7	60 500	16.4	1	73 533	26.6	1
2	United Kingdom	68 076	10.5	55 889	15.1	2	12 187	4.4	7
3	France	53 292	8.2	32 601	8.8	3	20 691	7.5	3
4	Italy	45 666	7.1	22 413	6.1	6	23 253	8.4	2
5	United States	42 772	6.6	26 944	7.3	4	15 827	5.7	4
6	Netherlands	37 108	5.7	24 715	6.7	5	12 393	4.5	6
7	Sweden	27 502	4.3	12 624	3.4	7	14 877	5.4	5
8	China	18 330	2.8	7 683	2.1	11	10 646	3.8	8
9	Belgium	15 560	2.4	7 897	2.1	10	7 663	2.8	10
10	Spain	15 467	2.4	10 007	2.7	8	5 460	2.0	14
11	Denmark	14 440	2.2	6 916	1.9	12	7 524	2.7	11
12	Japan	14 245	2.2	8 180	2.2	9	6 064	2.2	12
13	Austria	14 193	2.2	5 968	1.6	15	8 224	3.0	9
14	Canada	9 787	1.5	6 135	1.7	13	3 653	1.3	16
15	Poland	8 255	1.3	4 907	1.3	16	3 348	1.2	17
16	Ireland	8 155	1.3	2 599	0.7	26	5 556	2.0	13
17	Hong Kong, China	7 652	1.2	6 048	1.6	14	1 604	0.6	22
18	Finland	7 290	1.1	3 468	0.9	19	3 822	1.4	15
19	Russian Federation	7 122	1.1	4 095	1.1	17	3 027	1.1	19
20	Czech Republic	5 314	0.8	2 820	0.8	22	2 494	0.9	20
21	Korea, Republic of	4 934	0.8	3 477	0.9	18	1 457	0.5	24
22	Brazil	4 859	0.8	2 817	0.8	23	2 042	0.7	21
23	India	4 129	0.6	2 720	0.7	24	1 409	0.5	25
24	Singapore	4 096	0.6	3 268	0.9	20	827	0.3	33
25	Turkey	4 078	0.6	2 713	0.7	25	1 366	0.5	26
26	United Arab Emirates	3 565	0.6	2 995	0.8	21	570	0.2	41
27	Libya	3 383	0.5	273	0.1	69	3 110	1.1	18
28	Chinese Taipei	3 077	0.5	1 728	0.5	30	1 349	0.5	27
29	Australia	2 889	0.4	2 240	0.6	27	648	0.2	39
30	Portugal	2 872	0.4	2 126	0.6	29	746	0.3	34
31	Hungary	2 723	0.4	1 186	0.3	36	1 538	0.6	23
32	Thailand	2 666	0.4	1 329	0.4	32	1 338	0.5	28
33	Greece	2 418	0.4	2 187	0.6	28	232	0.1	57
34	Switzerland	2 245	0.3	1 080	0.3	37	1 165	0.4	29
35	Norway	2 141	0.3	1 195	0.3	35	946	0.3	31
36	Saudi Arabia	2 028	0.3	1 723	0.5	31	305	0.1	51
37	Israel	1 939	0.3	1 199	0.3	34	740	0.3	35
38	South Africa	1 861	0.3	866	0.2	40	996	0.4	30
39	Kazakhstan	1 674	0.3	839	0.2	41	834	0.3	32
40	Mexico	1 668	0.3	1 302	0.4	33	366	0.1	46
41	Romania	1 519	0.2	1 022	0.3	38	497	0.2	44
42	Malaysia	1 467	0.2	743	0.2	43	724	0.3	37
43	Slovakia	1 357	0.2	620	0.2	46	737	0.3	36
44	Lithuania	1 152	0.2	476	0.1	50	676	0.2	38
45	Ukraine	1 148	0.2	872	0.2	39	277	0.1	53
46	Iceland	890	0.1	624	0.2	45	266	0.1	55
47	Iran	843	0.1	811	0.2	42	32	0.0	102
48	Estonia	832	0.1	278	0.1	68	554	0.2	42
49	Indonesia	810	0.1	448	0.1	52	363	0.1	47
50	Luxembourg	804	0.1	366	0.1	61	438	0.2	45
	Other Countries	22 092	3.4	13 905	3.8	n.a.	8 186	3.0	n.a.

Source: GTIS, Global Trade Atlas

The EFTA States combine competitiveness ...

The World Competitiveness Scoreboard: 2009

According to IMD

Fig. 30

Rank	Country
4 (4)	Switzerland
11 (11)	Norway

* 2008 rankings are in brackets

The Overall Competitiveness Scoreboard ranks the world's 55 leading economic nations; it is calculated by combining four factors of competitiveness: economic performance, government efficiency, business efficiency and infrastructure.

Source: Institute for Management Development (IMD), World Competitiveness Yearbook 2009.

The Global Competitiveness Index: 2009

According to WEF

Fig. 31

Rank	Country
1 (2)	Switzerland
14 (15)	Norway
26 (20)	Iceland

* 2008 rankings are in brackets

The Global Competitiveness Index measures the set of institutions, policies and factors that set the sustainable current and medium-term levels of economic prosperity.

Source: World Economic Forum, The Global Competitiveness Report 2009/10.

... with a high quality of life

The Human Development Index: 2009

Fig. 32

Rank	Country	Rank	Country
1	Norway	9	Switzerland
2	Australia	10	Japan
3	Iceland	11	Luxembourg
4	Canada	12	Finland
5	Ireland	13	United States
6	Netherlands	14	Austria
7	Sweden	15	Spain
8	France		

Source: United Nations Development Programme (UNDP), The 2009 Human Development Report

The HDI - Human Development Index - is a summary composite index that measures a country's average achievements in three basic aspects of human development: health, knowledge, and a decent standard of living.



Social Indicators: 2008

Fig. 33

	Iceland	Liechtenstein	Norway	Switzerland	EU27
Life Expectancy at Birth - Women^[2]	83.3	85.4	83.2	84.6	82.0
Life Expectancy at Birth - Men^[2]	80.0	80.0	78.4	79.8	75.8
Infant Mortality Rate (per 1 000 live births)^{[1][2]}	2.5	2.2	2.7	4.0	4.7
Population Growth Rate (in %)	2.5	0.5	1.2	1.1	0.4
Employment Rate (in % of persons aged 15-64 in employment)	83.5	71.9	78.0	79.5	66.0
Women	79.6	62.7	75.4	73.5	59.1
Men	87.3	81.0	80.5	85.4	72.8
Unemployment Rate	2.8	2.3	2.5	2.6	7.0

Sources: EUROSTAT and National Statistical Offices

^[1] Liechtenstein five years average from 2004 to 2007

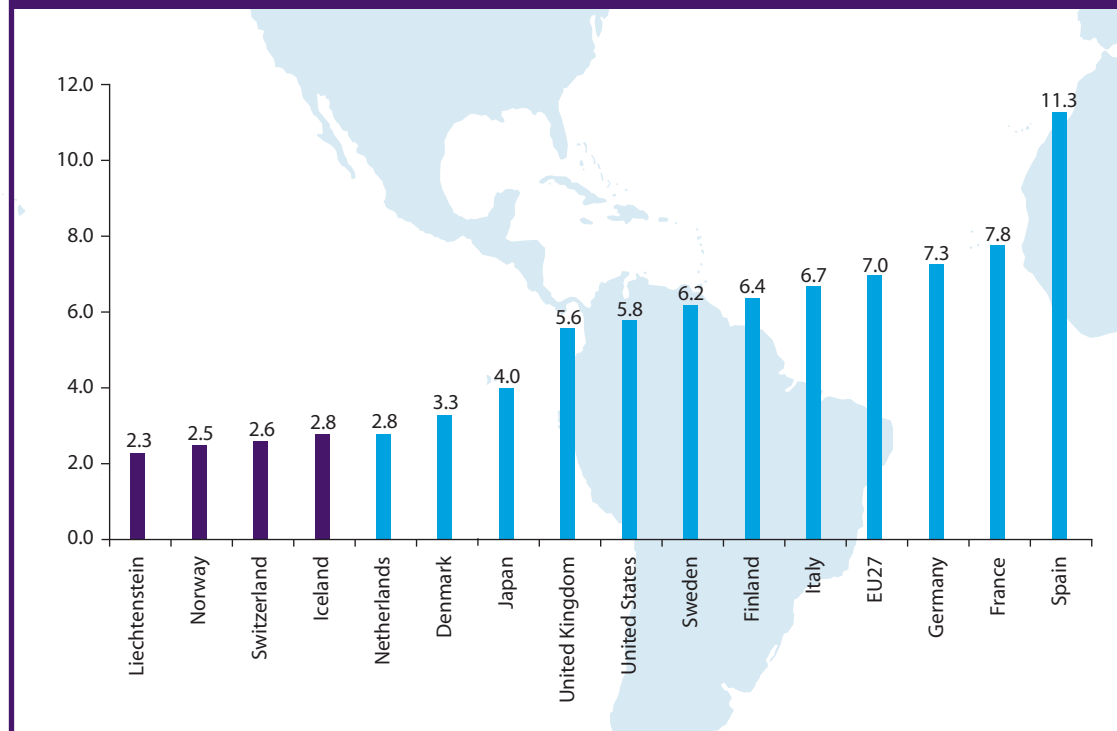
^[2] EU27 figures are from 2006



Unemployment rates: 2008

(in %)

Fig. 34



Source: EUROSTAT





The European Free Trade Association (EFTA) is an inter-governmental organisation for the promotion of free trade and economic integration to benefit its four Member States: Iceland, Liechtenstein, Norway and Switzerland. The Association is responsible for the management of:

- The EFTA Convention, which forms the legal basis of the organisation and governs free trade relations between the EFTA States;
 - EFTA's worldwide network of free trade and partnership agreements;
 - The Agreement on the European Economic Area (EEA), which enables three of the four EFTA Member States (Iceland, Liechtenstein and Norway) to fully participate in the EU's Internal Market.
-

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