

# GENERAL AGREEMENT ON

## TARIFFS AND TRADE

RESTRICTED

L/7048

17 July 1992

Limited Distribution

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Original: English

NOTIFICATION IN PURSUANCE OF PARAGRAPH 3  
OF THE UNDERSTANDING REGARDING NOTIFICATION,  
CONSULTATION, DISPUTE SETTLEMENT AND SURVEILLANCE

Joint Communication from the  
European Communities and the EFTA States

The following joint communication has been received from the Permanent Mission of Norway and the Permanent Delegation of the Commission of the European Communities for circulation to contracting parties.

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INFORMATION FOR THE GATT CONTRACTING PARTIES

Agreement on the European Economic Area

1. Introduction

Following the successful conclusion of the negotiations between the EC and the EFTA States on 14 February 1992, the Agreement on the European Economic Area was signed in Porto on 2 May 1992. Subject to ratification procedures the EEA Agreement will enter into force on 1 January 1993.

The EEA Agreement expands and deepens the free trade relations established through the Free Trade Agreements concluded in 1972 and 1973 between the EC and each of the EFTA countries. The latter agreements, those concluded between the EC and a number of EFTA countries in 1974 in the area of coal and steel, as well as the Stockholm Convention of 1960 between the EFTA States, remain valid but the EEA Agreement shall prevail to the extent that it governs the same subject matter.

The 1,200 page EEA Agreement<sup>1</sup> - comprising 49 Protocols and 22 Annexes - aims at establishing a dynamic and homogeneous European Economic Area in which there will be free movement of goods, persons, capital and services (the "four freedoms") under equal conditions of competition. The EEA

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<sup>1</sup>Copies of the Agreement in English and in French have been submitted to the secretariat for consultation by interested contracting parties (GATT Library, Office No. 5124).

objectives will be achieved through EEA rules which correspond to relevant EC rules including their interpretation by the EC Court of Justice (the "EC acquis") in all areas concerned including competition policy and state aid, and so-called horizontal policies which are related to the four freedoms, e.g. company law, statistics, relevant parts of social and environmental policy. The EEA Agreement also provides for strengthened co-operation in areas outside the four freedoms such as R&D, training, small and medium-sized enterprises, consumer protection, audiovisual matters, and elements of environmental and social policy. The Agreement contains, moreover, provisions on a financial EFTA mechanism aimed at the reduction of economic and social regional disparities.

The institutional framework of the EEA is constituted by an EEA Council at Ministerial level, an EEA Joint Committee (responsible for the effective implementation and operation of the EEA Agreement), an EEA Joint Parliamentary Committee and an EEA Consultative Committee (bringing together social partners of both sides). The EEA Agreement provides for co-operation modalities (such as a continuous process of information and consultation during all phases of the Community legislative procedures) as well as for rules on dispute settlement which all aim at reconciling to the maximum extent possible the homogeneity of the applicable rules and the preservation of the decision-making autonomy of the Parties to the EEA Agreement. The EFTA States will create an independent Surveillance Body and an EFTA Court.

The EEA is not a customs union: it does not provide for a common external tariff or a common trade policy. The EC and the EFTA States will remain autonomous in their third country relations and retain their treaty-making power.

## 2. Summary of EEA Provisions Regarding the Four Freedoms

The EEA Agreement builds on the achievements under the Free Trade Agreements concluded in 1972 and 1973 between the EC and the EFTA States. Under the latter Agreements customs duties and other restrictive regulations of commerce including charges having equivalent effect as duties, quantitative restrictions on imports and exports and discrimination through internal taxes or repayment of tax on exports, have been abolished.

The Free Trade Agreements already cover substantially all the trade; the EEA Agreement goes beyond the FTAs, inter alia, as a consequence of following improvements and additions:

### 2.1 Goods

- arrangements for processed agricultural products in particular with regard to price compensation of agricultural raw materials and charges having equivalent effect including complete abolition for some;
- trade liberalization for fishery products (EFTA duties abolished, substantial reduction of Community duties);

- introduction of an evolutionary clause on agriculture aiming at progressive liberalization of agricultural trade; broadening of existing bilateral agricultural agreements; elimination of technical barriers to trade (e.g. wine, barriers resulting from veterinary and phytosanitary rules);
- abolition of remaining restrictions in the area of coal and steel products (scrap exports) and strengthening of competition rules in this area on the basis of EC acquis;
- reduction of excluded products in HS. Chapters 25-97 to only casein, certain albumins and dextrans;
- simplification and relaxation of the rules of origin, including introduction of EEA origin (complete cumulation);
- considerable strengthening of the rules on competition; the full Community acquis on antitrust and merger control will be applicable throughout the EEA; creation of an independent EFTA Surveillance Body with role and powers similar to those of the EC Commission;
- ditto with regard to state aid;
- non-application (under certain conditions) between the Parties to the Agreement of antidumping measures, countervailing duties and measures against illicit commercial practices;
- application throughout the EEA of EC acquis on state monopolies of a commercial character regarding the procurement and marketing conditions between nationals of EC and EFTA States;
- elimination of technical barriers to trade by the application throughout the EEA of EC legislation relating to free movement of goods and of the principle of mutual recognition (on the basis of the EC Court of Justice's "Cassis de Dijon" ruling);
- simplification of border controls and strengthening of co-operation between customs authorities;
- application throughout the EEA of EC acquis concerning intellectual, industrial and commercial property rights (semi-conductors, trade marks, computer programmes); EFTA States will adjust to level prevailing in the Community; EFTA participation in the Community's Patents Agreement; commitment of the Parties to adhere to a number of multilateral conventions and to improve the EEA régime of intellectual property rights in the light of the results of the Uruguay Round;
- opening up of public procurement throughout the EEA on the basis of EC acquis; existing obligations of the EFTA States and EC member States under the GATT Government Procurement Agreement remain unaffected.

## 2.2 Services

The EC acquis on financial services such as banking and insurances (including the "single licence" and "home country control") will be applicable throughout the EEA; the same applies to telecommunications and to transport (with special arrangements on road transit through Austria and Switzerland). The above indents concerning intellectual, industrial and commercial property rights, and public procurement also apply to the services sector.

## 2.3 Capital Movements

Liberalization throughout the EEA of capital movements as provided under EC acquis.

## 2.4 Persons

Right of establishment and free movement of workers and independents, non-discriminatory application of rules on social security and recognition of diplomas throughout the EEA as under EC acquis.

The EEA Agreement provides for safeguard measures in case of serious economic, societal or environmental difficulties of a sectoral or regional nature liable to persist, and in case of balance of payments problems.

The EEA Agreement also provides for transitional periods in some areas, most of them being of a duration of around two or three years. In some cases - mostly outside the area of goods - longer transitional periods are foreseen, none going beyond 1999. Some derogations (non-application of EC acquis by EFTA countries) have been agreed upon but will be reviewed in the next few years under review clauses contained in the EEA Agreement.