

# WORLD TRADE ORGANIZATION

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Committee on Regional Trade Agreements

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## EUROPEAN FREE TRADE ASSOCIATION

The following communication, dated 26 August 2004, is being circulated at the request of the EFTA States.

### Biennial Report on the Operation of the Convention

#### *Communication from the EFTA States*

In accordance with the guidelines approved by the Council For Trade in Goods<sup>1</sup>, as recommended by the Committee on Regional Trade Agreements<sup>2</sup>, and the reporting schedule established by the WTO Secretariat<sup>3</sup>, the European Free Trade Association (EFTA) hereby submits its periodical report on the operation of the EFTA Convention (Convention). The last such report was issued on 8 August 2001<sup>4</sup>. The EFTA Secretariat publishes annual reports, which are made available on the EFTA Secretariat web page. The web page also provides comprehensive information on EFTA and its activities<sup>5</sup>.

In the reporting period (July 2001 to June 2004), the Agreement amending the Convention signed by EFTA Ministers in Vaduz, Liechtenstein, on 21 June 2001 entered into force on 1 June 2002. The EFTA Council, responsible for the Vaduz Convention, regularly updates the Convention to reflect legislative developments in the EEA Agreement and the Swiss-EU agreements. A list of the amendments made to the Convention since its entry into force on 1 June 2002 is set out as Annex to this report. The consolidated version of the updated Convention is available on the EFTA Secretariat web page<sup>6</sup>.

The services part of the Convention is subject to a separate notification to the WTO pursuant to Article V of the GATS.<sup>7</sup>

## I. BACKGROUND INFORMATION

### 1. Membership And Dates Of Signature, Ratification And Entry Into Force

Since 1 January 1995, the European Free Trade Association consists of Iceland, Liechtenstein, Norway and Switzerland<sup>8</sup>. In June 1999, EFTA Ministers decided to update the EFTA

<sup>1</sup> G/L/286.

<sup>2</sup> WT/REG/4.

<sup>3</sup> WT/REG/W/48.

<sup>4</sup> WT/REG85/R/B/2.

<sup>5</sup> <http://secretariat.efta.int/>

<sup>6</sup> <http://secretariat.efta.int/Web/EFTAConvention/EFTAConventionTexts/EFTAConventionText>

<sup>7</sup> S/C/N/207, WT/REG154/2.

Convention of 1960 in response to an invitation by Switzerland to extend to the EFTA partners the same level of integration achieved under its bilateral agreements with the European Union signed on 21 June 1999.

The amendments to the Convention include modernised trade terminology, reflecting developments in the multilateral trading system and the EFTA States' respective relations with the European Union (EEA Agreement and Swiss-EU bilateral agreements). The scope of the Convention was also expanded to include new areas such as services and investment (establishment), free movement of persons, coordination of social security, mutual recognition of diplomas, land and air transport, public procurement and intellectual property rights. The functions of the EFTA Council were broadened to reflect changes that have taken place in EFTA since the 1980s, in particular with respect to EFTA's external relations. The new Convention is expected to render the economic relations between the four EFTA Member States more cohesive and to give the Members an improved instrument to manage their internal relations and those with present and potential trade partners.

## 2. Trade Data

Trade among the four EFTA States has expanded from 1.74 billion USD to 1.95 billion USD between 2000 and 2003, representing an increase of around 11.6%. In 2000, intra-EFTA trade accounted for around 0.67% of the EFTA States' total trade with the world. This share fell to about 0.63% between 2000 and 2003.

The EFTA States' trade with the world has increased from 262.3 billion USD to 308.9 billion USD between 2000 and 2003, a rise of about 18.2%.

Trade between the EFTA States and the current 25 EU countries has expanded from 183.9 billion USD to 225.9 billion USD between 2000 and 2003. EFTA imports from the EU increased by 25.6% between 2000 and 2003, while EFTA's exports to the EU increased by 20.5% over the same period. The share of the EFTA States' trade with the EU has increased from 70.4% in 2000 to 73.1% in 2003.

The EFTA States' trade with their current preferential trading partners apart from the EU has increased from around 6.3 billion USD in 2000 to 7.6 billion USD in 2003, representing an increase of 20.8%. Its share of EFTA's total trade has increased from 2.41% per cent in 2000 to 2.47% in 2003.

Detailed EFTA trade statistics are available at EFTA's official website:

<http://secretariat.efta.int/Web/ExternalRelations/TradeStats/>

## II. TRADE PROVISIONS

The details of the amendments to the Convention introduced by the Agreement signed in June 2001 can be found in the last biennial report of 8 August 2001. Limited legislative development has taken place since the entry into force of the updated Convention as reported below.

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<sup>8</sup> For information on previous membership, dates of signature, ratification, entry into force and withdrawal, reference is made to the biennial report of 28 May 1999 (WT/REG85/R/B/1)

## **1. Rules Of Origin**

Annex B was amended in 2001 taking the occasion of the HS revision 2002 for a formal consolidation and restructuring of the origin annex based on an agreement in the “30 countries’ meeting” held in the context of the pan-European cumulation system.

In 2002, a technical error in the specific list rule for ex 4114 in Appendix II to Annex A was corrected.

## **2. Standards**

### **2.1 Technical Regulations**

In 2003, Annex I to the Convention was modified to consolidate the Annex by incorporating new EC and Swiss federal law adopted since 1999 regarding mutual recognition in relation to conformity assessment.

## **3. Sector-specific provisions**

### **3.1 Agriculture**

In 2003, a system of notification for price compensation measures for agricultural products was introduced.

## **III. GENERAL PROVISIONS OF THE AGREEMENT**

### **1. Institutional framework**

In 2002, the EFTA Council revised the list of specific committees to review legislative developments in light of corresponding updates under the EEA Agreement and the Swiss-EU agreements and adopted model decisions and procedural guidelines with a view to regular updating of the Vaduz Convention.

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Amendments to the Vaduz Convention since 2001

<b>DC No.</b>	<b>Adopted</b>	<b>In force</b>	<b>Title</b>	<b>Subject</b>
4/2001	06.12.01	01.01.02	Amendments to Annex A	Origin rules
5/2002	18.06.02	n.a.	Establishment of the Committee on mutual recognition in relation to conformity assessment	Standards/institutional framework
5/2002	18.06.02	n.a.	Establishment of the Committee on organic agriculture	Agriculture/institutional framework
5/2002	18.06.02	n.a.	Establishment of the Committee on public procurement	Public procurement/institutional framework
5/2002	18.06.02	n.a.	Establishment of the Committee on seeds	Agriculture/institutional framework
20/2002	09.12.02	09.12.02	Amendments to Annex A	Origin rules
A-2003-CON-D-002	09.07.03	09.07.03	Modification of Appendix 1 of Annex I	Standards

*n.a. not applicable*

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