

# WORLD TRADE ORGANIZATION

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Committee on Regional Trade Agreements

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## EUROPEAN FREE TRADE ASSOCIATION

### Biennial Report on the Operation of the Convention

*Communication from the EFTA States*

The following communication, dated 21 November 2006, is being circulated at the request of the EFTA States. It is organized in accordance to the Standard Format for Information on Regional Trade Agreements (WT/REG/W/6).

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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> 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 6 September 2004.<sup>3</sup> The EFTA Secretariat publishes annual reports, which are made available on the EFTA Secretariat web page.<sup>4</sup> The web page also provides comprehensive information on EFTA and its activities.<sup>5</sup>

In the reporting period (September 2004 to August 2006), the EFTA Council, responsible for the Vaduz Convention, updated the Convention on four occasions 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 in the Annex to this report.

## I. BACKGROUND INFORMATION ON THE AGREEMENT

### 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>6</sup> In June 1999, EFTA Ministers decided to update the EFTA Convention of 1960 in response to an invitation by Switzerland to extend to the EFTA partners the same level of integration as the one achieved under its bilateral agreements with the European Union signed on 21 June 1999. The new Vaduz Convention entered into force on 1 June 2002. The EFTA Convention regulates the preferential trade relations between the Member States and provides the legal framework for EFTA as an organisation.

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

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

<sup>3</sup> WT/REG85/R/B/3 - G/L/685.

<sup>4</sup> <http://secretariat.efta.int/Web/Publications/AnnualReport/>

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

<sup>6</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).

#### 4. Trade Data

According to the statistical sources available to the EFTA Secretariat,<sup>7</sup> total merchandise trade among the four EFTA States (imports plus exports) increased from 1.74 billion USD in 2000 to 2.59 billion USD in 2005, representing an increase around 49% in nominal value terms. In 2000, intra-EFTA trade accounted for around 0.67% of the EFTA States' total trade with the world. The share of intra-EFTA trade as compared to their trade with the rest of the world has remained fairly stable between 2000 and 2005 – varying between 0.61% (in 2005) and 0.71% (in 2001); see table below.

By comparison, the EFTA States' trade with the world (imports plus exports) increased from 261.4 billion USD to 424.2 billion USD between 2000 and 2005, a 62% rise in nominal terms.

EFTA States' merchandise trade with the world, EU-25 and intra-EFTA, 2000-2005							
Partner Country	Imports plus exports, millions United States Dollars						% Change 2005/2000
	2000	2001	2002	2003	2004	2005	
World	261,438	262,378	270,574	310,676	367,759	424,171	62
EU-25	184,008	188,052	194,030	226,053	268,126	309,927	68
Intra EFTA-4	1,743	1,850	1,821	1,947	2,351	2,592	49
Intra-EFTA as % of trade with the world	0.67	0.71	0.67	0.63	0.64	0.61	
Trade with EU-25 as % of trade with the world	70.38	71.67	71.71	72.76	72.91	73.07	

*Source:* GTI, Global Trade Atlas

Trade between the EFTA States and the 25 Member States of the EU expanded from 184 billion USD in 2000 to 310 billion USD in 2005, representing an increase around 68 per cent in nominal value terms. EFTA *imports* from the EU increased by 65% between 2000 and 2005 in nominal terms, while EFTA's *exports* to the EU increased by 72% over the same period, partly also reflecting changes in world commodity prices. The share of the EFTA States' trade with the EU as compared to their trade with the world increased slightly, from 70.4% in 2000 to 73.1% in 2005.

More detailed EFTA trade statistics are available at the EFTA Secretariat's website: [http://secretariat.efta.int/Web/ExternalRelations/TradeStats/trade\\_statistics](http://secretariat.efta.int/Web/ExternalRelations/TradeStats/trade_statistics), as well as in the latest issue of the Secretariat's annual publication: [http://secretariat.efta.int/Web/Publications/this\\_is\\_EFTA/note/](http://secretariat.efta.int/Web/Publications/this_is_EFTA/note/)

#### II. TRADE PROVISIONS

Limited legislative development has taken place since the last biennial report of 2004.

#### 3. Rules Of Origin

In 2005, the EFTA Council adopted a decision amending Annex A to the EFTA Convention on Rules of Origin, in order to adapt it to the pan-Euro-Mediterranean cumulation model, which is an extension of the pan-European cumulation model. This system is based on a preferential network of

<sup>7</sup> Source for merchandise trade statistics: Global Trade Atlas (GTI).

agreements, which provides for identical rules of origin and permits an unlimited use of components originating in the zone (diagonal cumulation). Parties forming the zone are the EC, the EFTA States, Romania, Bulgaria, Turkey and countries which signed the Barcelona Declaration, namely Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Syria, Tunisia and the Palestinian Authority of the West Bank and Gaza Strip. The Faroe Islands have joined the system as well.

#### **IV. OTHER**

##### **1. Air Transport**

Amendments to the Appendix to Annex Q on Air transport were made in 2004 and 2006. The Appendix contains European Community legislative acts which are relevant for the application of the Annex on Air transport. This Appendix is regularly updated in order to take into account developments under the Agreement on the European Economic Area and the Bilateral Agreements between Switzerland and the European Community. In the two decisions of 2004 and 2006, references to some regulations were deleted or inserted.

##### **2. Free Movement Of Persons**

The EFTA Council adopted amendments to Appendix 2 to Annex K of the Convention in July 2004. Annex K to the Convention relates to the Free Movement of Persons. Its Appendix 2 regulates the co-ordination of the social security schemes among the EFTA States. The EFTA States have decided to apply among themselves the European Community acts to which reference is made in the Appendix. The list of acts which are referred to is regularly updated taking into account developments under the Agreement on the European Economic Area and under the Bilateral Agreements between Switzerland and the European Community.

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Amendments to the Vaduz Convention since 2004

<b>DC No.</b>	<b>Adopted</b>	<b>In force</b>	<b>Title</b>	<b>Subject</b>
2/2004	13.07.04	13.07.04	Amendments to Appendix 2 to Annex K	Coordination of Social Security Schemes
3/2004	05.11.04	05.11.04	Amendments to the Appendix to Annex Q	Air Transport
2/2005	25.07.05	01.08.05	Amendments to Annex A	Rules of Origin
1/2006	03.02.06	03.02.06	Amendments to the Appendix to Annex Q	Air Transport