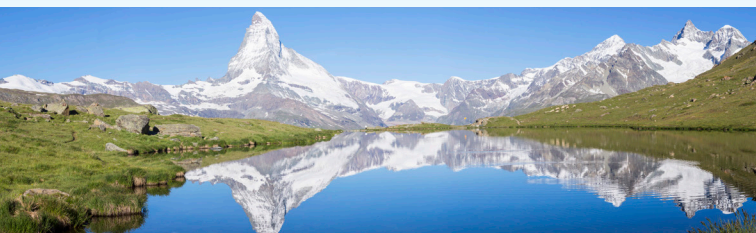


The EFTA Convention

The Free Trade Association of Iceland,
Liechtenstein, Norway and Switzerland





What does the EFTA Convention mean for:

– Trade in goods?

Liberalising trade in goods has been the main objective of EFTA from the onset. The EFTA States have a highly developed and diversified industrial sector, and under the EFTA Convention, the Member States grant each other total elimination of customs duties for all industrial products, including fish and marine products. The Convention also improves market access for agricultural products, distinguishing between basic agricultural products and processed agricultural products. Lastly, the EFTA Convention establishes rules on customs matters, rules of origin, sanitary and phytosanitary measures (SPS) and technical barriers to trade (TBT).

– Services and investment?

The EFTA Convention provides for the general liberalisation of trade in services and investment, including establishment and movement of capital, among the EFTA States. Specific rules govern the supply and consumption of services by natural persons, as well as liberalisation of the land, rail and air transport markets in the EFTA States.

– Free movement of persons?

The revised Convention introduced the free movement of persons by opening the labour markets of the EFTA States. All lawful residents have the right to the same treatment as nationals in respect of living, employment and working conditions. The free movement of persons also covers social security issues by establishing a system of coordination among the EFTA States. Mutual recognition of professional diplomas has also been introduced under the EFTA Convention, which further facilitates the free movement of persons.



What is the EFTA Convention?

The EFTA Convention was signed in Stockholm on 4 January 1960 and established the European Free Trade Association (EFTA). The objectives of the seven founding Member States were to establish a free trade area between themselves and to contribute to broader European economic development and integration, as well as liberalising trade around the world. The basic economic aim of the Convention was the same as that of the Treaty of Rome establishing the then European Economic Community – to create a market free of unnecessary barriers to trade. However, it was based on the traditional principles of intergovernmental cooperation, thus differing from the Treaty of Rome. The Convention of 1960 set out some general principles and procedures for EFTA and contained detailed provisions on tariff reductions, elimination of quantitative restrictions and rules of origin.

What is covered by the EFTA Convention?

The EFTA Convention, as revised in Vaduz in 2001, covers all the major aspects of modern trade. It regulates the economic relations between the current four EFTA States and provides the legal basis for the Association. It also provides a common platform for developing EFTA's relations with trade partners around the globe.

The EFTA Convention covers trade in goods, services and investment, land and air transport, agriculture, intellectual property rights, government procurement, movement of persons, social security, mutual recognition of diplomas and technical barriers to trade, as well as competition, public undertakings and monopolies and state aid. The Convention integrates the principles and rules established between the EEA EFTA States (Iceland, Liechtenstein and Norway) and the European Union in the Agreement on the European Economic Area (EEA Agreement), and between Switzerland and the EU in the Swiss-EU Bilateral Agreements.

Does the EFTA Convention contain safeguard measures?

The EFTA Convention contains overarching provisions on safeguard measures. These can be taken unilaterally by any Member State in serious economic, social or environmental difficulties, and are restricted in scope and duration to what is strictly necessary in order to remedy the situation.

Does the EFTA Convention establish its own institutions?

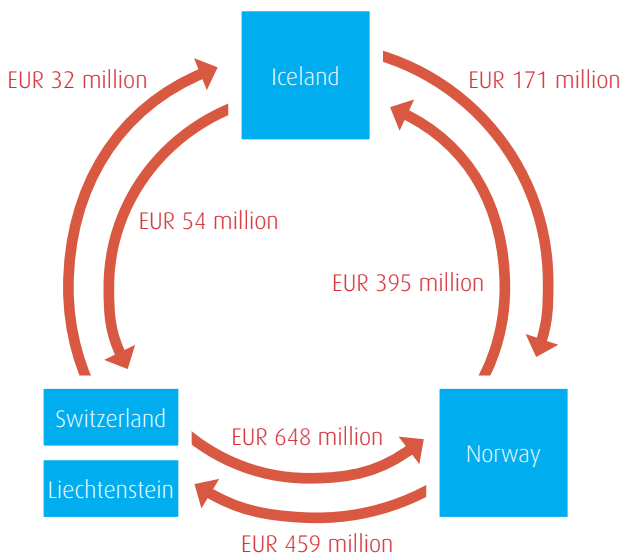
EFTA is an intergovernmental organisation and the EFTA Council is the Association's highest governing body. The Council meets on a regular basis in Geneva, represented by the Ambassadors of the four Member States, and normally meets twice a year at Ministerial level. Decisions in the Council are taken by consensus. The Council endeavours to resolve any disputes that may arise under the Convention through consultations, but the Convention provides for the possibility of establishing an arbitral tribunal should the need ever arise. A number of committees have been established to deal with special issues under the EFTA Convention and its Annexes. The Convention also provides the legal basis for setting up a Secretariat and a budget for the Association. The Secretariat employs around 85 people in Geneva, Brussels and Luxembourg, and the annual budget is approximately 22 million Swiss francs.

How is the EFTA Convention updated?

The EFTA Convention is updated on a regular basis to reflect developments under the EEA Agreement and the Swiss Bilateral Agreements with the EU. Decisions on amendments to the Convention are in general taken by the EFTA Council.

Intra-EFTA merchandise trade 2016

Merchandise trade between the EFTA States is characterised by highly capital-intensive industrial products and natural resources. Trade flows between Norway and Switzerland mirror the countries' specialised industries and technology-driven sectors, where pharmaceutical products, machinery and mechanical appliances are Switzerland's main exports to Norway, and gold, ships, aluminium and oil are Norway's leading exports to Switzerland.



* Liechtenstein's external merchandise trade falls under Swiss-Liechtenstein Customs Union and is included in Swiss trade figures. The data for Liechtenstein therefore reflect a subset of Swiss data and do not include trade flows between Switzerland and Liechtenstein.

Norway mainly imports residues and fats from Iceland's fish industry, and exports mineral fuels, electrical machinery and ships to Iceland.

Aluminium and fish are Iceland's main export products to Switzerland, while machinery and mechanical appliances, tobacco and clocks are Iceland's leading imports.

Liechtenstein* exports mainly machinery and mechanical appliances to Norway, and pharmaceutical products and glassware to Iceland. Intermediary products and plastics are Liechtenstein's leading imports from Iceland, while imports from Norway comprise electrical and mechanical appliances and toys.

Who can become a member of EFTA?

Article 56 of the EFTA Convention regulates accession to the EFTA Convention. Any state may accede to the Convention upon approval by the EFTA Council. Acceding states shall apply to become a party to EFTA's free trade agreements. This, however, requires negotiations with each partner country.

Can Member States withdraw from the Convention?

Any Member State may withdraw from the EFTA Convention by giving 12 months' written notice. Before the withdrawal takes effect, the Member States need to agree on appropriate arrangements and cost-sharing relating to the withdrawal.

The EFTA countries

Norway and Switzerland were among the founding Member States of EFTA in 1960. Iceland joined EFTA in 1970, followed by Liechtenstein in 1991. Norway, Iceland and Liechtenstein are also parties to the EEA Agreement, while Switzerland has signed a set of bilateral agreements with the EU.

	Iceland	Liechtenstein	Norway	Switzerland
Area (km ²)	103 000	160	385 180	41 291
Population (2016)	332 529	37 622	5 213 985	8 325 194
Currency	Icelandic króna (ISK)	Swiss franc (CHF)	Norwegian krone (NOK)	Swiss franc (CHF)
Gross domestic product (million euro)	15 130	5 026 ^{1,2}	348 332	604 510
Exports of goods and services (million euro)	8 125 (53% of GDP)	3 014 ³	130 227 (37% of GDP)	380 255 (63% of GDP)
Imports of goods and services (million euro)	6 987 (46% of GDP)	1 794 ³	111 328 (32% of GDP)	309 444 (51% of GDP)

Source: Eurobase, Eurostat unless otherwise stated

Figures refer to 2015 unless otherwise stated. Figures for Switzerland are provisional. Because of the customs union between the two countries, Liechtenstein's trade figures are included in Switzerland's.

¹ Data from national authorities

² 2014

³ Data from COMEXT, Eurostat. Figures not comparable with GDP. Trade in services not included. Trade between Liechtenstein and Switzerland not included.

EFTA founded
(Austria, Denmark,
Norway, Portugal, Sweden,
Switzerland, UK)

1960



Agreement on
free trade in
industrial products

1966

Finland joins EFTA

1961



Iceland joins EFTA

1970



Denmark and the United
Kingdom join the EU

1973



Portugal joins the EU

1986



Liechtenstein joins EFTA

1991



Sweden, Finland
and Austria
join the EU

1995



Updated EFTA
Convention

2001

Improved market
access for agricultural
products

2012

Further information on EFTA's activities and institutional framework is available on our website.

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