

EUROPEAN FREE TRADE ASSOCIATION CONVENTION

TREATY AT A GLANCE

Completed

January 4, 1960, at Stockholm, Sweden

Signatories

Austria, Denmark, Norway, Portugal, Sweden, Switzerland,
and the United Kingdom

Overview

This convention established Europe's "other" Common Market, a trade alliance with deliberately more limited scope than the ECC (see TREATY OF ROME).

Historical Background

Called the Outer Seven (in contrast to the Inner Six nations of the ECC, or Common Market), Austria, Denmark, Norway, Portugal, Sweden, Switzerland, and the United Kingdom created EFTA as a free trade area in industrial products. Unlike the Treaty of Rome, which established the Common Market, the EFTA convention did not call for a common external tariff on agricultural and industrial goods, thereby allowing the signatory nations more latitude in trading with such nations as the United States. For Sweden, Switzerland, and Austria—as well as Finland, which joined EFTA as an associate member in 1961—the alternative organization provided an opportunity to enjoy the benefits of free trade without compromising political neutrality by a close alliance with a politically unified group of Western nations.

Terms

The essence of EFTA was described in the 1960 Convention:

ARTICLE 1: THE ASSOCIATION

1. An international organization to be known as the European Free Trade Association, hereinafter referred to as "the Association," is hereby established.
2. The Members of the Association, hereinafter referred to as "Member States," shall be the States which ratify this Convention and such other States as may accede to it.
3. The Area of the Association shall be the territories to which this Convention applies.
4. The Institutions of the Association shall be a Council and such other organs as the Council may set up.

ARTICLE 2: OBJECTIVES

The objectives of the Association shall be

- (a) to promote in the Area of the Association and in each Member State a sustained expansion of economic activity, full employment, increased productivity and the rational use of resources, financial stability and continuous improvement in living standards,
- (b) to secure that trade between Member States takes place in conditions of fair competition,
- (c) to avoid significant disparity between Member States in the conditions of supply of raw materials produced within the Area of the Association, and
- (d) to contribute to the harmonious development and expansion of world trade and to the progressive removal of barriers to it.

ARTICLE 3: IMPORT DUTIES

1. Member States shall reduce and ultimately eliminate, in accordance with this Article, customs duties and any other charges with equivalent effect, except duties notified in accordance with Article 6 and other charges which fall within that Article, imposed on or in connection with the importation of goods which are eligible for Area tariff treatment in accordance with Article 4. Any such duty or other charge is hereinafter referred to as an "import duty."

2. (a) On and after each of the following dates, Member States shall not apply an import duty on any product at a level exceeding the percentage of the basic duty specified against that date [reducing from 80 per cent on 1 July 1960 to 10 per cent on 1 January 1969].

(b) On and after 1st January 1970, Member States shall not apply any import duties . . .

ARTICLE 30: ECONOMIC AND FINANCIAL POLICIES

Member States recognize that the economic and financial policies of each of them affect the economies of

other Member States and intend to pursue those policies in a manner which serves to promote the objectives of the Association. They shall periodically exchange views on all aspects of those policies. In so doing, they shall take into account the corresponding activities within the Organization for European Economic Cooperation and other international organizations. The Council may make recommendations to Member States on matters relating to those policies to the extent necessary to ensure the attainment of the objectives and the smooth operation of the Association.

ARTICLE 31: GENERAL CONSULTATIONS AND COMPLAINTS PROCEDURES

1. If any Member considers that any benefit conferred upon it by this Convention or any objective of the Association is being or may be frustrated and if no satisfactory settlement is reached between the Member States concerned, any of those Member States may refer the matter to the Council.

2. The Council shall promptly, by majority vote, make arrangements for examining the matter. Such arrangements may include a reference to an examining committee constituted in accordance with Article 33. Before taking action under paragraph 3 of this Article, the Council shall so refer the matter at the request of any Member State concerned. Member States shall furnish all information which they can make available and shall lend their assistance to establish the facts.

3. When considering the matter, the Council shall have regard to whether it has been established that an obligation under the Convention has not been fulfilled, and whether and to what extent any benefit conferred by the Convention or any objective of the Association is being or may be frustrated. In the light of this consideration and of the report of any examining committee which may have been appointed, the Council may, by majority vote, make to any Member State such recommendations as it considers appropriate.

4. If a Member State does not or is unable to comply with a recommendation made in accordance with paragraph 3 of this Article and the Council finds, by majority vote, that an obligation under this Convention has not been fulfilled, the Council may, by majority decision, authorize any Member State to suspend to the Member State which has not complied with the recommendation the application of such obligations under this Convention as the Council considers appropriate.

5. Any Member State may, at any time while the matter is under consideration, request the Council to authorize, as a matter of urgency, interim measures to safeguard its position. If it appears to the Council that the circumstances are sufficiently serious to justify interim action, and without prejudice to any action which it may subsequently take in accordance with the preceding paragraphs of this Article, the Council may, by majority decision, authorize a Member State to suspend its obligations under this Convention to such an extent and for such a period as the Council considers appropriate.

Consequences

Headquartered in Geneva, Switzerland, EFTA traded extensively with the European Community, and it conducted many cooperative research and development programs with the EC. Thus, both EFTA and the EC, which have promoted European unification in and of themselves, achieved a further degree of integration by their cooperation with one another. Britain and Denmark withdrew from the EFTA when they joined the EC in 1973. Portugal withdrew in 1986, when it joined the EC. Iceland joined EFTA in 1970, and associate member Finland became a full member in 1986. In 1995 Austria and Sweden also made their plans to leave EFTA and applied for membership in the EC.