The European Economic Area (EEA)

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The completion of the European single market for the Community of the Twelve, laid down by the Single European Act of 1986, raised the issue of the Community's relations with the countries of the European Free Trade Association (EFTA): Norway, Sweden, Finland, Iceland, Austria and Switzerland–Liechtenstein (these two countries constituting a customs and monetary union). In 1972 and 1973, these countries signed bilateral industrial free-trade agreements with the Community, which supplied two thirds of their imports and received more than half of their exports. They did not, however, want to remain on the sidelines of the single market. As for the Community, it, too, wanted to establish ties stronger than bilateral agreements. On 17 January 1989, Jacques Delors, President of the Commission, advocated 'a new, more structured partnership with common decision-making and administrative institutions'. In May 1990, the Council of Ministers gave the Commission a mandate for negotiations.

In order to participate in the single market, EFTA countries had to comply with Community rules on matters including competition, state aid, opening up public procurement procedures, freedom of movement and of establishment, company law, and consumer protection. In this way, an area comprising nearly 380 million inhabitants would be created for industrial products, services and capital. For agriculture and fisheries products, trade liberalisation would be progressive. The European Economic Area (EEA) sought to remove obstacles in order to establish an area in which the four freedoms of movement of the internal market (persons, goods, services and capital) would apply, as well as what are known as 'horizontal' Community policies, in particular competition policy.

This agreement nevertheless had certain limits. There would be no customs union between the EEC and EFTA, as the free movement of goods from the EFTA countries would apply only to products originating in the EFTA countries, and border checks would continue in order to avoid trade deflections. The extension of the internal market was not yet complete. The free movement of persons, for example, applied only to employed workers and not to the entire population. The agreement did not provide for harmonisation of taxation. The EEA did not cover all the EU's fields of activity; the common agricultural policy, the establishment of the single currency, the common foreign and security policy and police and judicial cooperation were not included in the agreement. It nevertheless provided for close cooperation in the fields of research, the environment and working conditions. Joint bodies were to be responsible for managing the agreement.

In the event of legal conflicts between the judgments of the Court of Justice of the European Communities and those of the EFTA Court, bilateral negotiations were to be held between EU and EFTA representatives, in an EEA Joint Committee (except in the case of Switzerland, which negotiated directly with the European Community).

These provisions were enshrined in the Agreement on the European Economic Area (EEA), signed in Oporto on 2 May 1992, which entered into force at the same time as the single market of the Twelve on 1 January 1993. All ratifications were sealed without a hitch, with the exception of Switzerland, which rejected the EEA by referendum, thereby delaying the implementation of the Treaty by Norway, Sweden, Finland, Iceland and Austria until 1 January 1994. As for Liechtenstein, its accession was approved by referendum on 9 April 1995.

As three EFTA states (Austria, Finland and Sweden) acceded to the European Union on 1 January 1995, EFTA currently only covers Iceland, Liechtenstein, Switzerland and Norway. States which accede to the EU since the establishment of the EEA automatically become part of the European Economic Area.