



THIS IS EFTA

2008



This is EFTA 2008

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Editor's Note:

"This is EFTA" is an overview of EFTA's activities and institutional framework. For an updated summary of the more specific activities in the last year, please consult EFTA's Annual Report. It is also available on our website: <http://www.efta.int/>

FOREWORD



The history of EFTA, since it was established in 1960, is part of the political and economic history of Europe after the Second World War. The present membership and structure of EFTA can only be understood in the light of the wider quest for European economic integration and the development of the global multilateral trading system.

After the war, the importance of free trade for economic growth and reconstruction was recognised. Countries were determined not to return to the chaotic trading situation of the pre-war period, and the General Agreement on Tariffs and Trade (GATT) was set up. In Europe, free trade and economic integration were seen as important parts of the political process to avoid future conflicts. In 1957, six European countries signed the Treaty of Rome, thus creating a customs union and close economic co-operation in key areas. Two years later, seven other European countries signed the EFTA Agreement, thereby forming a free trade area among them.

The membership of EFTA changed during the next decades as political integration in Europe gathered pace. "The New EFTA", as we know it today, came into existence in 1995 with its present membership of Iceland, Liechtenstein, Norway and Switzerland. The Member States have updated the EFTA Convention. In addition to promoting intra-EFTA free trade, the organisation has two other distinct tasks. It negotiates and maintains free trade agreements with third countries, and assists in the administration of the Agreement on the European Economic Area (EEA). This Agreement is a joint venture between three EFTA States (Iceland, Liechtenstein and Norway) and the EU. The work on free trade agreements is carried out at EFTA's headquarters in Geneva while the work on EEA matters is conducted at EFTA's Brussels office.

The results achieved by EFTA are formidable.

EFTA has concluded 16 free trade agreements (FTAs) with countries all over the world. Discussions are also taking place with a number of countries for new agreements. I wish to underline that EFTA's FTA negotiating policy is based upon the multilateral trading system, which it also aims to strengthen.

As members of the EEA, Iceland, Liechtenstein, and Norway are part of the EU's Internal Market, which covers the three States and all the EU Member States. The Internal Market is based on the principle of free movement of goods, services, capital and persons with uniform trade and competition rules. Switzerland, although not a member of the EEA, also benefits from its active observer status in the EEA EFTA structure through its administration of the bilateral Swiss-EU agreements.

The system of free trade agreements (described above) gives the EFTA States access to one of the world's largest networks of free trade partners. So although EFTA has a small membership, it is a world leader in the promotion of free trade to the benefit of its own citizens and close to one billion people in Europe and other partner countries. In this regard one should also bear in mind the economic power of the EFTA States. They are the world's tenth largest in trade in goods and fifth in trade in services. They are also among the world's largest markets for both outward and inward investment flows. They rank among the ten countries with the highest GDP per capita and are among the countries with the highest human development index according to the UNDP.

I am proud that EFTA has contributed significantly to the economic development of its Member States for many decades, and I am sure that the organisation will continue to be an indispensable instrument for our countries for years to come.

Kåre Bryn

A handwritten signature in blue ink that reads "Kåre Bryn". The signature is fluid and cursive, with a small star-like mark above the 'a' in Kåre.

Secretary-General

THE EUROPEAN FREE TRADE ASSOCIATION

The European Free Trade Association (EFTA) is an inter-governmental organisation set up for the promotion of free trade and economic integration to the benefit of its four Member States: Iceland, Liechtenstein, Norway and Switzerland. The Association is responsible for the management of:

- The EFTA Convention, which forms the legal basis of the organisation and governs free trade relations between the EFTA States;
- EFTA's worldwide network of free trade and partnership agreements; and
- The European Economic Area (EEA) Agreement, which enables three of the four EFTA Member States (Iceland, Liechtenstein and Norway) to participate in the EU's Internal Market.



Creating Europe's largest free trade area of its time. EFTA's founding Member States at the signing of the EFTA Convention that established the European Free Trade Association in 1960.

© Keystone



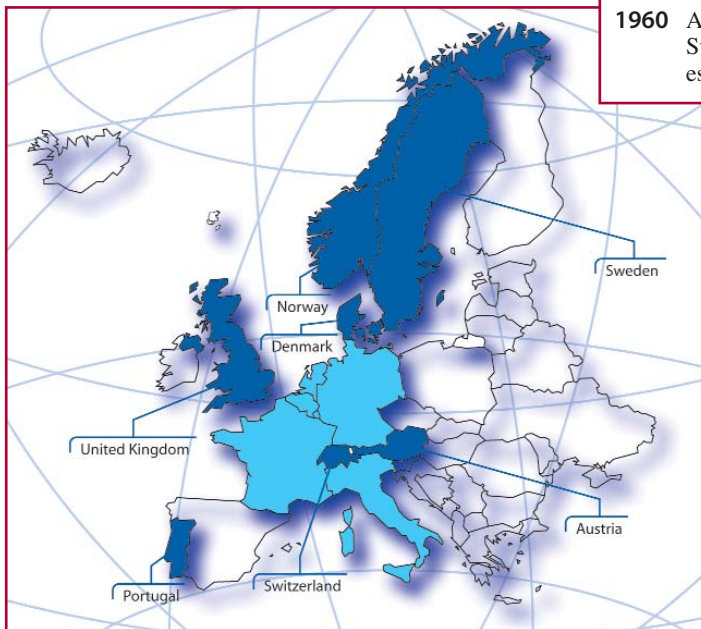
The Vaduz Convention (the updated EFTA Convention)

The EFTA Convention regulates the free trade relations between the Member States and provides the legal framework for EFTA as an organisation.

The updated EFTA Convention was signed in Vaduz (Liechtenstein) on 21 June 2001. The new Vaduz Convention entered into force on 1 June 2002 with the following main changes:

- The scope of the Convention was expanded to include new areas such as: trade in services and investment, mutual recognition of conformity assessment, free movement of persons, social security and mutual recognition of diplomas, land and air transport, public procurement and intellectual property rights.
- The functions of the EFTA Council were broadened to reflect the historical changes in EFTA's mission, in particular with respect to EFTA's free trade regime with partner countries. The new Convention provides a more cohesive framework for economic relations between the four EFTA Member States and gives them an improved instrument to manage their internal relations and those with present and potential partner countries.

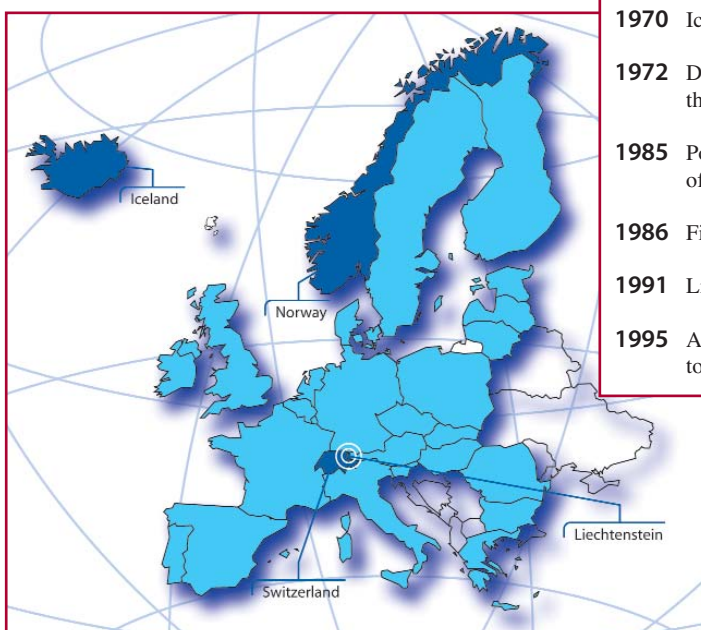
EFTA and the EU 1960



1960 Austria, Denmark, Norway, Portugal, Sweden, Switzerland and the UK establish EFTA



EFTA and the EU 2008



- 1970** Iceland becomes a member of EFTA
- 1972** Denmark and the UK leave EFTA to join the EEC (EU)
- 1985** Portugal leaves EFTA to become a member of the EEC (EU)
- 1986** Finland becomes a full member of EFTA
- 1991** Liechtenstein becomes a member of EFTA
- 1995** Austria, Finland and Sweden leave EFTA to join the EU



EFTA History at a Glance

- 1960** The Association is founded by Austria, Denmark, Norway, Portugal, Sweden, Switzerland and the UK, to promote closer economic co-operation and free trade in Europe.
- 1961** Finland becomes an associate member of EFTA.
- 1966** Full free trade in industrial products is achieved among the EFTA States.
- 1970** Iceland becomes a member of EFTA.
- 1972** Denmark and the UK leave EFTA to join the European Economic Community (EEC). The remaining EFTA States sign bilateral free trade agreements (FTAs) with the EEC.
- 1977** Elimination of tariffs on industrial goods in trade between the EEC and the EFTA States.
- 1979** Free Trade Agreement signed with Spain.
- 1984** Luxembourg Declaration on broader co-operation between the EEC and EFTA.
- 1985** Portugal leaves EFTA to become a member of the EEC.
- 1986** Finland becomes a full member of EFTA.
- 1989** Start of negotiations on a European Economic Space, later to become the European Economic Area (EEA). Agreement on free trade in fish between the EFTA States.
- 1991** Liechtenstein becomes a member of EFTA. FTA signed with Turkey.
- 1992** The Agreement on a European Economic Area signed in Oporto, Portugal. FTAs signed with the former Czechoslovakia, Israel, Poland and Romania. Declaration on Co-operation signed with Albania. Switzerland rejects participation in the EEA by referendum.
- 1993** FTA signed with Bulgaria and Hungary. Protocol on the succession of the Czech Republic and the Slovak Republic to the EFTA-Czechoslovakia Agreement signed.
- 1994** The Agreement on the European Economic Area enters into force. The EEA Financial Mechanism is established for the period 1994-1998.
- 1995** Austria, Finland and Sweden leave EFTA to join the European Union. Liechtenstein becomes a full participant in the EEA Agreement. FTAs signed with Estonia, Latvia, Lithuania and Slovenia. Declarations on Co-operation signed with Egypt, Morocco and Tunisia.
- 1996** Declarations on Co-operation signed with Macedonia and the Palestinian Authority.
- 1997** FTA signed with Morocco. Declarations on Co-operation signed with Jordan and Lebanon.
- 1998** Formal negotiations on an FTA launched with Canada, Egypt and Jordan.
- 1999** FTAs with the Palestinian Authority and with Morocco enter into force.
- 2000** FTAs signed with Macedonia and Mexico. Declarations on Co-operation signed with Croatia, Ukraine, the Co-operation Council of the Arab States of the Gulf (GCC), the Southern Common Market (MERCOSUR) and Serbia and Montenegro. A new EEA Financial Instrument is established for the period 1999-2003.
- 2001** Updated EFTA Convention signed in Vaduz, Liechtenstein. FTAs signed with Croatia and Jordan.



2002 Updated EFTA Convention (Vaduz Convention) enters into force. FTA signed with Singapore. Declaration on Co-operation signed with Algeria. Application for EEA membership submitted by ten countries acceding to the European Union.

2003 Agreement on EEA enlargement signed. New EEA Financial Mechanism and Norwegian Financial Mechanism established in support of social and economic cohesion for the period 2004-2009. FTA with Singapore enters into force. FTA signed with Chile. Formal launch of free trade negotiations with the Southern African Customs Union (SACU).

2004 Simultaneous enlargement of the EU and the EEA. FTA with Chile enters into force. FTAs signed with Lebanon and Tunisia. Formal

launch of free trade negotiations with the Republic of Korea.

2005 FTA signed with the Republic of Korea. Formal launch of free trade negotiations with Thailand.

2006 FTA signed with the Southern African Customs Union (SACU). Formal launch of free trade negotiations with the Gulf Co-operation Council (GCC). FTA with the Republic of Korea enters into force. Launch of Joint Study Group with India.

2007 Agreement on EEA enlargement of Bulgaria and Romania signed. Negotiations on an FTA with Canada finalised. Start of negotiations on an FTA with Colombia, Peru and Algeria. Declaration on Co-operation signed with Mongolia. FTAs with Egypt and Lebanon enters into force. Launch of Joint Study Group with Russia.



The EFTA Ministers and the Secretary-General. Ingibjörg Sólrún Gísladóttir, Minister of Foreign Affairs of Iceland, Rita Kieber-Beck, Minister of Foreign Affairs of Liechtenstein, Dag Terje Andersen, Minister of Trade and Industry of Norway, Doris Leuthard, Federal Councillor, Head of the Department of Economic Affairs, Switzerland, and Kåre Bryn, Secretary-General of EFTA.

THE EFTA STATES

Although the EFTA countries (Iceland, Liechtenstein, Norway and Switzerland) are small, they are world leaders in several sectors vital to the global economy.

The two EFTA Alpine countries – Liechtenstein and Switzerland – are internationally renowned financial centres and hosts to major companies and multinationals. The Swiss economy is based on high quality products commanding high prices in world markets. Switzerland is a world leader in pharmaceuticals, biotechnology, machinery, watch-making, banking and insurance. Despite its small size and limited national resources, Liechtenstein is highly industrialised and specialized in capital- and R&D-intensive, high-technology products, notably precision instruments.

The two EFTA Nordic countries, Iceland and Norway, stand out in fish production, the metal industry and maritime transport. The Icelandic economy benefits from renewable natural resources: in particular rich fishing grounds, and hydro and geothermal power. While still heavily relying on fishing and fish processing, the Icelandic economy has in the last two decades increasingly diversified into the aluminium industry and services, especially financial services. Much of Norway's economic growth has been fuelled by an abundance of natural resources, including petroleum exploration and production, hydroelectric power, and fisheries. Other important sectors include services, notably maritime transport and oil-related industries.

The EFTA members rank among the countries with the highest GDP per capita in the world. They also benefit from very low unemployment rates compared to other OECD countries.

Being economies with small domestic markets, the EFTA States are traditionally very dependent upon and open to international trade, as also evidenced by their high trade openness ratios: 37% for Norway, 41% for Iceland, and 49% for Switzerland – compared to 14% for the EU-27, when excluding intra-EU trade.^[1]

In spite of EFTA's modest size, in 2006 the EFTA States taken together constituted the world's tenth largest merchandise trader and the fifth largest trader in commercial services, counting the EU as one.

The EFTA States represent a sizeable market characterised by a high purchasing power. In 2006, EFTA's combined GDP (excluding Liechtenstein) amounted to 707 billion USD. By comparison the GDP of Australia for that year amounted to 768 billion USD, Mexico's to 839 billion USD and the Republic of Korea's to 888 billion USD.^[2]

EFTA countries are also key investors abroad, both in terms of direct investment and portfolio investment. The EFTA countries' combined stock of foreign direct investment (FDI) outwards in 2006 amounted to 679 billion USD – behind France (1 080 billion USD) and Hong Kong, China (689 billion USD), but about 50% higher than the outward FDI stocks of Canada or Japan.

The EFTA economies are also consistently high performers as to competitiveness, ranking among the top 13 most competitive economies worldwide according to the IMD 2007 World Competitiveness Yearbook. Finally, the EFTA States are also hosts to a significant number of major multinational companies such as Nestlé, Roche, Novartis, UBS, Credit Suisse and StatoilHydro.

The EU-27 is EFTA's main trading partner, accounting for 75% of EFTA's merchandise imports and 71% of its exports in 2006. What is less well known is that EFTA is the EU's second largest trading partner after the United States, placing it before China, the Russian Federation and Japan (taking total merchandise trade, imports plus exports). The same is true for trade in services where in 2006 EFTA ranked second after the U.S. – before Japan, the Russian Federation and China.



^[1] Openness to trade is measured as the share of external trade (goods and services) as a percentage of GDP. It is calculated as the sum of goods and services imports and exports divided by twice the GDP.

^[2] Source for GDP data: World Bank, World Development Indicators, GDP in current international USD.

General information: 2008

Fig. 1

	Iceland	Liechtenstein	Norway	Switzerland
Name	Republic of Iceland	Principality of Liechtenstein	Kingdom of Norway	Swiss Confederation
Government	Parliamentary Government	Constitutional Monarchy	Constitutional Monarchy	Federal Republic
Head of State	President Ólafur Ragnar Grímsson	Prince Hans-Adam II of Liechtenstein	King Harald V	President of Swiss Confederation Pascal Couchepin
Head of Government	Prime Minister Geir H. Haarde	Prime Minister Otmar Hasler	Prime Minister Jens Stoltenberg	President of Swiss Confederation Pascal Couchepin
Official Languages	Icelandic	German	Norwegian (Bokmål and Nynorsk)	German, French, Italian and Romansch
Capital	Reykjavík	Vaduz	Oslo	Berne
Area	103 000 km ²	160 km ²	323 802 km ²	41 285 km ²
Population (31.12.2006)	307 672	35 168	4 681 100	7 508 739
Population Density (inhabitants per km ²)	3.0	220	15	188
Currency	Icelandic króna (ISK)	Swiss franc (CHF)	Norwegian krone (NOK)	Swiss franc (CHF)
National Holiday	17 June	15 August	17 May	1 August

Sources: National Statistical Offices, Eurostat and Official Government Websites



Economic indicators: 2006

Fig. 2

	Iceland	Liechtenstein ^{[1], [2]}	Norway	Switzerland	EU-27
GDP (in million EUR at market prices)^[1]	13 251	2 731	267 799	309 096	11 583 403
GDP Per Capita (PPS in EUR)^{[1][2]}	31 900	34 700	43 900	31 900	23 500
GDP Growth (in %)^[1]	4.2	3.9	2.2	3.2	3.0
Inflation (in %)	4.6	1.1	2.3	1.1	2.2
Unemployment (in %)	2.9	3.2	3.4	4.0	8.2
Exports: Goods (in million EUR)^[3]	2 774	n/a	97 356	118 054	1 157 900
Imports: Goods (in million EUR)^[3]	4 558	n/a	52 201	114 810	1 350 500
Exports: Services (in million EUR)^[3]	1 464	n/a	27 549	44 079	447 395
Imports: Services (in million EUR)^[3]	2 031	n/a	23 840	23 993	380 331
Exports of Goods and Services^[3]	4 239	n/a	124 905	162 133	1 605 295
Imports of Goods and Services^[3]	6 591	n/a	76 041	138 803	1 730 831
Total: Trade (in million EUR)^[3]	10 830	n/a	200 946	300 936	3 336 125
Government Financial Balance (in % of GDP)	5.3	n/a	18.5	1.1	-1.6
Government Debt (in % of GDP)	45.7	n/a	55.0	25.4	61.4

Sources: National Statistical Offices and EUROSTAT

^[1] Liechtenstein figures are from 2004.

^[2] Liechtenstein's inhabitants adjusted by cross-border commuter population.

^[3] Liechtenstein's trade figures are included in Switzerland's trade figures due to the existence of the Swiss-Liechtenstein Customs Union.

FREE TRADE AGREEMENTS

EFTA's trade strategy has progressively evolved beyond the confines of the European continent. Since the late 1990s the EFTA States have 'gone global' to maintain their competitive position in the world.

Using EFTA, the Member States have created one of the world's largest networks of free trade partners. The EFTA free trade agreement (FTA) network secures economic operators free access to markets of around 440 million consumers.

The main reason why Iceland, Liechtenstein, Norway and Switzerland use EFTA as their common vehicle for free trade negotiations is that, as a group, the EFTA countries carry more weight as economic players and are thus more interesting for potential trade partners.

At the time of writing, EFTA had concluded 16 Free Trade Agreements with a total of 20 partner countries and territories around the world (see also map on page 13): Canada, Chile, Croatia, Egypt, Israel, Jordan,

Lebanon, Macedonia, Mexico, Morocco, Palestinian Authority, Southern African Customs Union (SACU, comprising Botswana, Lesotho, Namibia, South Africa and Swaziland), Singapore, the Republic of Korea, Tunisia and Turkey.

It should be noted that while the EFTA countries pursue a policy of concluding free trade agreements, this does not prevent them from giving priority to a well-functioning multilateral trade system under the auspices of the WTO. The two approaches, bilateral and multilateral, are mutually supportive.

At the time of writing, negotiations were in progress with Algeria, Colombia, the Gulf Cooperation Council (GCC comprising Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates), India, Peru and Thailand. In addition, there were dialogues on closer trade and investment relations, notably with Indonesia, Malaysia and the Russian Federation. For a full overview, see map and legend on page 13.



EFTA Free Trade Agreements

Establish a free trade area between the partners, by providing for free trade in industrial goods, including fish and other marine products, by covering trade with processed agricultural products, by including trade disciplines, by governing the preferential trade in goods under the FTA and by establishing elaborate rules on customs and origin matters, including cumulation.^[1] Trade in basic agricultural products is covered in separate bilateral agreements relating to the FTA.

Liberalise trade in services, investments and public procurement in more recent FTAs, including those with Mexico, Singapore, Chile and the Republic of Korea. In other agreements (e.g. with partners in the Mediterranean region) the further development and deepening of relations in these fields is foreseen through evolutionary clauses.

Include rules on competition to avoid restraints which could frustrate the benefits of the FTA.

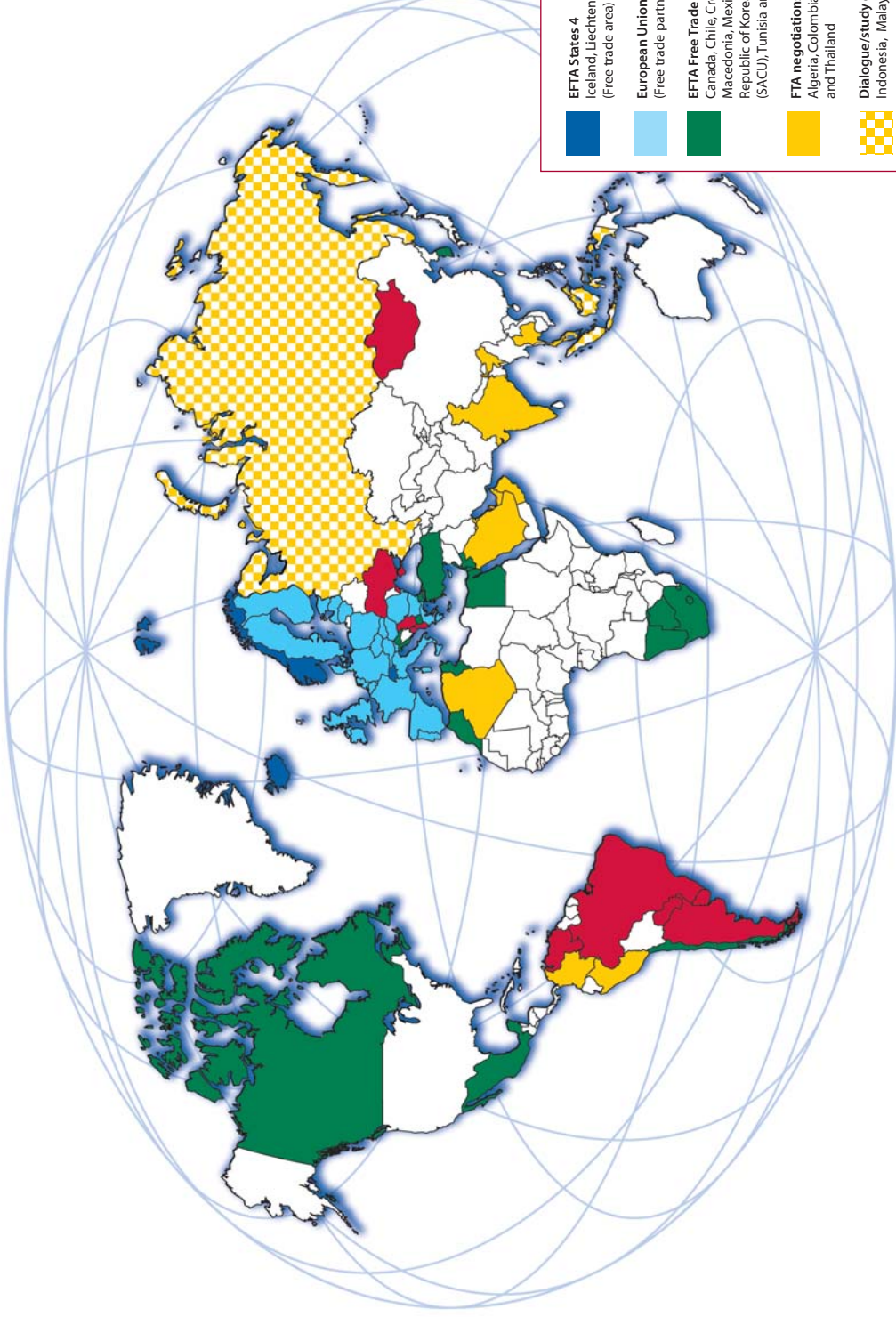
Provide for the protection of intellectual property rights in accordance with high standards.

Contain provisions for the avoidance and settlement of disputes between the parties.

Are regularly adapted and upgraded to make them as efficient as possible, taking into account developments in WTO, and in bilateral trade relations of major trading partners.

^[1] Cumulation means that products originating in one partner country may be used as materials in the production of a product in another partner country without prejudice to the preferential status of the finished product.

FTA NETWORK - ACROSS EUROPE AND BEYOND



EFTA States 4 (Free trade area)	EFTA Free Trade Agreements 16 Canada, Chile, Croatia, Egypt, Israel, Jordan, Lebanon, Macedonia, Mexico, Morocco, the Palestinian Authority, Republic of Korea, Singapore, Southern African Customs Union (SACU), Tunisia and Turkey.	FTA negotiations Algeria, Colombia, Gulf Co-operation Council (GCC), India, Peru and Thailand	Dialogue/study on closer trade and investment relations Indonesia, Malaysia and the Russian Federation
European Union 27 (Free trade partner)			Declarations on Co-operation Albania, Colombia, Gulf Co-operation Council (GCC), Southern Common Market (MERCOSUR), Mongolia, Peru, Serbia and Ukraine

What is in an EFTA Free Trade Agreement?

All EFTA FTAs cover trade in industrial products, including fish, and processed agricultural products. They include trade disciplines as well as rules on competition, protection of intellectual property and payments and transfers. Bilateral arrangements between the individual EFTA countries and the respective partner countries cover trade in basic agricultural products. Since 2000, EFTA FTAs with a number of partners also contain substantive rules liberalising trade in services, investments and public procurement.

Different Levels of Economic Development

EFTA FTAs take into account the partner countries' different levels of economic development, sometimes leading to an asymmetrical approach. While the EFTA States normally abolish all tariffs and other restrictions on industrial products upon entry into force of the agreement, less economically developed partner countries may benefit from transition periods. These periods are intended to provide the partners with the necessary time to adapt their economies to free trade conditions.

Agriculture

Most EFTA FTAs contain protocols or annexes on processed agricultural products. The duties on these products reflect the difference between the domestic market price and the world market price of the basic agricultural component (raw material) of the product. Duties on the industrial (processing) component are eliminated. The EFTA States have their own lists of products for which they grant concessions to the partner country and vice versa.

Since the EFTA States do not have a common agricultural policy, basic agricultural products are dealt with in bilateral arrangements. Such bilateral agreements are concluded between each EFTA State and the partner country in parallel with the main agreement. These arrangements form part of the instruments that govern the free trade area.

Fish and Other Marine Products

The fisheries sector accounts for approximately two thirds of Iceland's total exports of goods and is one of the main contributors to Norway's GDP. The two countries export fish to more than 170 countries. Free trade in fish and other marine products is therefore a key element in all EFTA FTAs.



Celebration of EFTA free trade agreement with Canada: Kåre Bryn, Secretary-General of EFTA, Rita Kieber-Beck, Minister of Foreign Affairs of Liechtenstein, Ted Menzies, Parliamentary Secretary to the Minister of International Trade of Canada, Doris Leuthard, Federal Councillor, Head of the Department of Economic Affairs, Switzerland, Dag Terje Andersen, Minister of Trade and Industry of Norway and Björgvin G. Sigurdsson, Minister of Commerce of Iceland.

Rules of Origin

In an FTA, the country of origin of a product is determined on the basis of rules of origin. These rules are fundamental to the functioning of a free trade area, as they indicate whether or not a given product can be traded under the FTA. Products (both industrial and agricultural) need to be either “wholly obtained” or “sufficiently worked or processed” in the country of a free trade partner in order to be considered originating products. Globalisation of production processes has made the identification of the country of origin increasingly complex, as few products exist without input of foreign origin. Consequently, one of the main functions of rules of origin is to determine to what extent domestic products may contain imported materials from a country outside the free trade area concerned without losing their preferential status under the FTA.

Public Procurement

Effective liberalisation of public procurement markets is an objective of EFTA FTAs. In recent agreements, liberalisation obligations have been included, on the basis of the principles of reciprocity, non-discrimination and transparency. Such provisions either build on the WTO Government Procurement Agreement or substantially replicate its structure and content.

Intellectual Property Rights

The protection of intellectual property rights (IPR) is very important in international trade because inadequate levels of protection can hamper commerce and impede the smooth running of a free trade area.

EFTA's FTAs provide for high standards of IPR protection. The provisions afford adequate, effective and non-discriminatory protection of intellectual property rights. They include measures to enforce the protection of such rights against infringement, counterfeiting and piracy. The provisions build on the principles of national treatment and most-favoured-nation (MFN) treatment as set out in the WTO Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement.

Competition Rules

EFTA FTAs also contain rules on competition. This is because removing traditional barriers to trade, such as tariffs and quantitative restrictions, is not necessarily sufficient. The rules on competition ensure that liberalisation of trade under an agreement is not hindered by new barriers in the form of agreements or practices by enterprises that can prevent, restrict or distort competition.

The provisions on competition also apply to the activities of public enterprises and monopolies.

Services and Investment

EFTA FTAs with European and Mediterranean countries contain an evolutionary clause on services and investment with the aim of achieving gradual liberalisation and the mutual opening of markets for investments and trade in services.

In line with their active involvement in other international fora, in their FTAs the EFTA States now increasingly include provisions for the liberalisation of trade in services. In the more ambitious agreements, these cover all modes of service supply and contain separate sections or annexes relating to specific sectors, e.g. financial services and telecommunications. They build on the General Agreement on Trade in Services (GATS) and follow a similar approach, complemented by enhanced specific commitments.

On investment, FTAs concluded by the EFTA States to date follow different patterns with regard to coverage. Substantive provisions have been included in more recently concluded transcontinental FTAs with Mexico, Singapore, Chile and with the Republic of Korea. These rules liberalise investments between the parties and may cover promotion, establishment, transfers, capital movements and/or protection.

Joint Committee

A Joint Committee composed of representatives of the EFTA States and the partner country supervises the implementation of each FTA. To facilitate the work



flow, a Joint Committee may establish subcommittees, e.g. in the field of customs and origin matters.

A Joint Committee normally meets every second year.

Dispute Settlement

EFTA FTAs foresee that the resolution of any differences between parties arising from the interpretation and application of an agreement be conducted through direct and Joint Committee consultations.

Diplomacy remains the fundamental principle for the settlement of disputes under international law. The same applies to disputes between the EFTA States and their FTA partners.

However, there has been an increasing international trend over the last decade to establish dispute settlement mechanisms under free trade agreements for situations where diplomatic means fail. Accordingly, the EFTA States have been introducing arbitration mechanisms in their FTAs.

Joint Declarations on Co-operation

Can be the first step towards free trade relations between the partners concerned. They aim to promote the harmonious development of economic relations; create an environment supportive of private entrepreneurship, free competition and economic activity based on market forces; and examine ways and means to expand and liberalise trade relations.

Cover co-operation on trade-related issues such as technical and other barriers to trade, information on foreign trade, competition, trade in services, investment, public procurement markets and intellectual property rights.

Aim to improve conditions for the implementation of private sector co-operation projects.

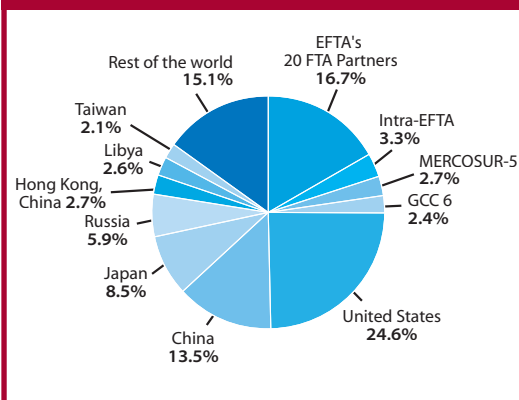
Establish a Joint Committee to review their co-operation on trade and related matters and to discuss any other issue of mutual interest. The Joint Committees may formulate appropriate recommendations on the co-operation.

EFTA has signed JDCs with: Albania, Algeria, Colombia, the Gulf Co-operation Council (GCC, comprising Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates), the Southern Common Market (MERCOSUR, comprising Argentina, Brazil, Paraguay, Uruguay and Venezuela), Mongolia, Peru, Serbia and Ukraine.



Fig.3

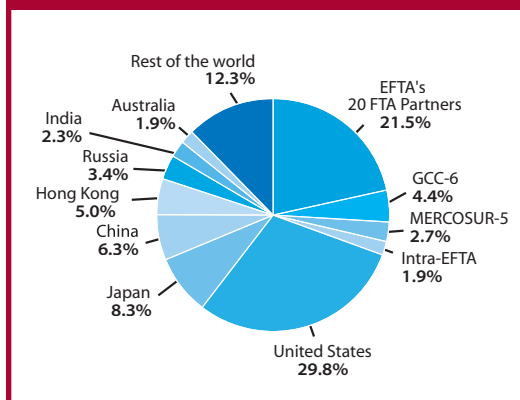
Merchandise trade: EFTA's top import sources (excluding EU-27): 2006



Source: GTI, Global Trade Atlas

Fig.4

Merchandise trade: EFTA's top export destinations (excluding EU-27): 2006



Source: GTI, Global Trade Atlas

Technical Assistance

Technical assistance is a part of some of EFTA's FTAs. Its main aim is to assist new free trade partners in the implementation of their FTAs with EFTA and to provide them with the necessary capacity to benefit from preferential access to the EFTA markets. Capacity-building, training, and transfer of know-how in trade-related matters are at the core of technical assistance activities. Projects that deal with infrastructure development or financial assistance are not part of EFTA's technical assistance.

To make the best use of resources available and to focus on areas where EFTA can provide optimal expertise, EFTA technical assistance centres on: technical standards, intellectual property, fisheries, origin rules and general customs procedures, services, and promotion of exports towards the EFTA States. Nevertheless, the EFTA policy is flexible and all requests for assistance from partner countries are analysed as to their individual merit and in accordance with the guidelines set by the EFTA Council.

European Standardisation

The EFTA countries and the European Commission closely co-operate on creating and implementing a European standardisation policy. This includes parallel financing of standards-related work carried out by the European Standards Organisations: the European Committee for Standardisation (CEN), the European Committee for Electrotechnical Standardisation (CENELEC) and the European Telecommunications Standardisation Institute (ETSI).

EFTA's main trading partners in merchandise trade: 2006 (in million USD and %) Fig. 5

Rank	Country	Total trade	Share (%) in world total	Export	Import
	World	484 762	100	273 465	211 297
1	Free Trade Partners	381 858	78.77	212 538	169 320
	EU-27	352 710	72.76	193 861	158 849
	EFTA's 20 FTA Partners	25 897	5.34	17 152	8 745
	Intra-EFTA	3 251	0.67	1 525	1 726
2	United States*	36 628	7.56	23 707	12 921
3	China	12 092	2.49	5 029	7 063
4	Japan	11 084	2.29	6 636	4 448
5	Russia	5 796	1.20	2 712	3 084
6	Hong Kong, China	5 430	1.12	4 015	1 415
7	GCC-6	4 803	0.99	3 537	1 266
8	MERCOSUR-5	3 542	0.73	2 124	1 418
9	India	2 687	0.55	1 847	840
10	Chinese Taipei	2 412	0.50	1 298	1 114
11	Thailand	1 898	0.39	966	932
12	Australia	1 759	0.36	1 515	244
13	Libya	1 544	0.32	206	1 338
14	Nigeria	1 102	0.23	264	838
15	Malaysia	1 025	0.21	520	505
16	Ukraine	722	0.15	533	189
17	Iran	684	0.14	643	41
18	Indonesia	588	0.12	342	246
19	Kazakhstan	584	0.12	189	395
20	Colombia	558	0.12	199	359
21	Vietnam	440	0.09	139	301
22	Pakistan	402	0.08	279	123
23	Bahamas	392	0.08	318	74
24	Suriname	369	0.08	3	366
25	Algeria	316	0.07	214	102

Source: GTI, Global Trade Atlas (last update: November 2007)

⁽¹⁾ Including Puerto Rico



THE EEA AGREEMENT

The Agreement on the European Economic Area (EEA), which entered into force on 1 January 1994, brings together 27 EU Members and three EFTA countries — Iceland, Liechtenstein and Norway (the EEA EFTA States) — in a single internal market, referred to as the “Internal Market.”

The EEA Agreement provides for the inclusion of EU legislation that covers the four freedoms — the free movement of goods, services, capital and persons — throughout the 30 EEA States. In addition, the Agreement covers co-operation in other important areas such as research and development, education, social policy, the environment, consumer protection, tourism and culture, collectively known as “flanking and horizontal” policies. The Agreement guarantees equal rights and obligations within the Internal Market for citizens and economic operators in the EEA.

What is the EEA Not?

The EEA Agreement does not cover the EU’s:

- Common Agriculture and Fisheries Policies (although the Agreement contains provisions on various aspects of trade in agricultural and fish products);
- Customs Union;
- Common Trade Policy;
- Common Foreign and Security Policy;
- Justice and Home Affairs (even though the EFTA countries are, or soon will be, part of the Schengen area); and
- Monetary Union (EMU).



The EU27's top trading partners in merchandise trade: 2006

(value of merchandise trade in million EUR)

Fig. 6

Country	Total trade	EU export to	EU import from	In % of EU's external trade
United States	446 740	268 860	177 880	17.8%
EFTA	283 400	129 550	153 850	11.3%
China	257 860	63 590	194 270	10.3%
Russia	213 040	72 410	140 630	8.5%
Japan	122 010	44 750	77 260	4.9%

Source: Eurostat

The EU's top trading partners in trade in services: 2006

(in million EUR)

Fig. 7

Country	EU exports to	EU imports from	Balance
Extra EU-27	441 556	373 059	68 497
United States	134 664	122 067	12 597
EFTA	70 438	49 370	21 068
Japan	18 939	12 935	6 005
Russian Federation	14 221	10 774	3 448
China (excluding Hong Kong)	12 750	11 334	1 416

Source: Eurostat

The EU's merchandise trade with EFTA (excluding intra-EU-25 trade): 2006

(value of merchandise trade in million EUR and %)

Fig. 8

Country	EU imports from	Annual % change	Share in total EU imports	EU exports to	Annual % change	Share in total EU exports	Balance	Imports+ exports
EFTA-4	153 855	12.9%	11.4%	129 556	8.6%	11.2%	-24 290	283 411
Iceland	2 043	14.8%	0.2%	2 901	14.0%	0.3%	858	4 944
Liechtenstein	1 112	6.3%	0.1%	1 215	18.1%	0.1%	102	2 327
Norway	79 190	18.1%	5.9%	38 440	13.9%	3.3%	-40 740	117 630
Switzerland	71 510	7.8%	5.3%	87 000	6.2%	7.5%	15 490	158 510

Source: Eurostat

Decision-making

Whenever an Internal Market-related EU act is amended or a new one adopted by the EU, the contracting parties assess its EEA relevance with a view to amending the applicable annex to the EEA Agreement in order to bring the Agreement as close as possible to EU legislation. This permits harmonious development of law in the EEA, i.e. both within the EU and the EEA EFTA States. However, both parties to the Agreement can request consultation on matters of concern, and negotiate adaptations to the EU legislation in question.

The EEA Agreement does not transfer any legislative powers from any of the contracting parties and therefore does not impose any direct effect of EU legislation in the EEA EFTA States. The adoption of EEA rules thus takes place in the EEA institutions set up by the Agreement. The EEA EFTA States then implement the EEA rules on the national level.

Participation in Programmes

Every year, more than 1 500 organisations, public bodies and entities in the EEA EFTA States participate in the numerous EU programmes. The programmes, projects and networks range from youth exchange programmes and research to public health and development of digital content. More than 15 000 students from the EEA EFTA States have studied abroad through the Erasmus programme, while many cultural institutions participate in film, theatre or musical projects through the Culture programme. In 2006, EEA EFTA nationals participated in 35 EU programmes. In 2007, a whole range of new programmes started up. The participation of EFTA States has proven to be beneficial for both sides. While allowing EFTA participants to find EU partners, the programmes also provide an opportunity for the EU to benefit from the expertise and best practices of EFTA States, besides the increase in the programmes' budget through the financial contributions of the EFTA States.

The EEA EFTA States have full access to 17 new EU programmes through the EEA Agreement. Switzerland has access to the Research and Media programmes through their separate bilateral agreements with the EU.

The new programmes are larger than before, but it should also be easier to get funding for projects in the EFTA States. The application process has been decentralised and simplified, something that should

make the process more accessible and less time-consuming to interested applicants.



The EFTA Secretariat has produced a Bulletin on the EFTA participation in the new EU programmes 2007-2013. The Bulletin includes EFTA best practice, EFTA contact points and advice on how to apply for funds. The Bulletin may be downloaded from EFTA's website, and free paper copies can be ordered from webmaster@efta.int.

For a detailed list of EU programmes with EEA EFTA participation, please refer to Fig.28 (inside back cover) herein.

Participation in EU Agencies

The EEA EFTA States also participate in several EU agencies:

- European Environment Agency
- European Medicines Agency
- European Aviation Safety Agency
- European Centre for Disease Prevention and Control
- European Maritime Safety Agency
- European Railway Agency
- European Network and Information Security Agency

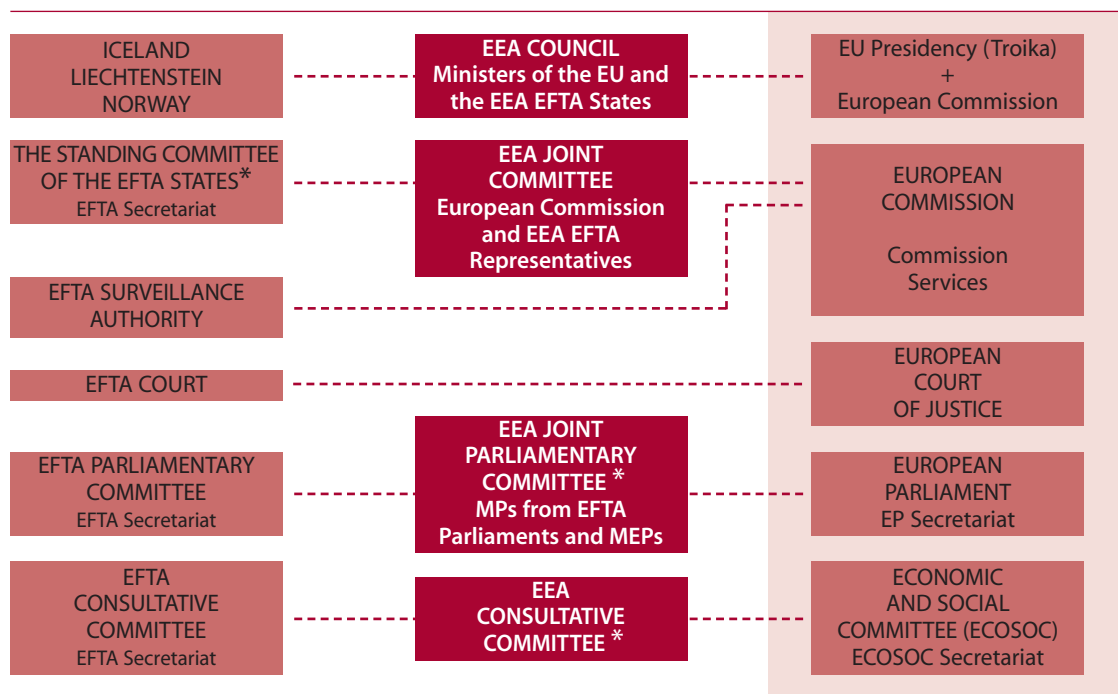
For a fully updated listing of available agencies, refer to EFTA's website.

Decision-shaping

The EEA EFTA States do not have the right to vote in the political decision-making within EU institutions. However, the EEA Agreement provides the EEA EFTA States with the opportunity to contribute to the shaping of EU legislation at the preparatory stage by participating in the European Commission's experts groups and comitology committees. Experts groups are formed to advise and assist the Commission with the drafting of new laws, which the EU Council of Ministers and the European Parliament subsequently adopt.

The participation of EEA EFTA experts and representatives in over 500 such committees and experts groups is a valuable and much appreciated opportunity for acquiring information and contributing to new legislative proposals at the earliest stages of policy formation.

The Two-Pillar EEA Structure



* Switzerland is an observer

This figure illustrates the management of the EEA Agreement. The left pillar shows the EFTA States and their institutions, while the right pillar shows the EU side. The joint EEA bodies are in the middle.

Joint EEA Bodies

The EEA Council

The EEA Council meets twice a year and provides political impetus for the development of the Agreement.

In the EEA Council the EEA EFTA side is represented by their foreign ministers. The EU is represented by foreign ministers in the troika format (past, present and future EU Council Presidencies), the European Commissioner for External Relations and the High Representative for the EU's Common Foreign and Security Policy.

The EEA Joint Committee

The EEA Joint Committee (EEA JC) is responsible for the management of the EEA Agreement. It is a forum in which views are exchanged and decisions taken by consensus to incorporate EU legislation in the EEA Agreement. The Joint Committee is made up of the EEA EFTA Ambassadors and representatives of the European Commission and meets monthly.

The EEA Joint Parliamentary Committee

The EEA Joint Parliamentary Committee is an advisory body that comprises members of the national parliaments of the EEA EFTA States and Members of the European Parliament (MEPs). It is not directly included in the EEA decision-making process, but through reports and resolutions it aims to scrutinise the decisions taken in the EEA JC.

The EEA Consultative Committee

The EEA Consultative Committee is an advisory body made up of members of the EFTA Consultative Committee and the European Economic and Social Committee. The Committee works to strengthen contacts between the social partners on both sides and to co-operate in an organised and regular manner to enhance awareness and provide input on the economic and social aspects of the EEA.

EEA EFTA Bodies

The Standing Committee of the EFTA States

The Standing Committee of the EFTA States serves as a forum in which the EEA EFTA States consult one another and arrive at a common position before meeting with the EU in the EEA Joint Committee. It is made up of the Ambassadors of Norway, Iceland and Liechtenstein to the EU and observers from Switzerland and the EFTA Surveillance Authority. The Committee's sub-structure consists of five subcommittees, under which there are several working groups.

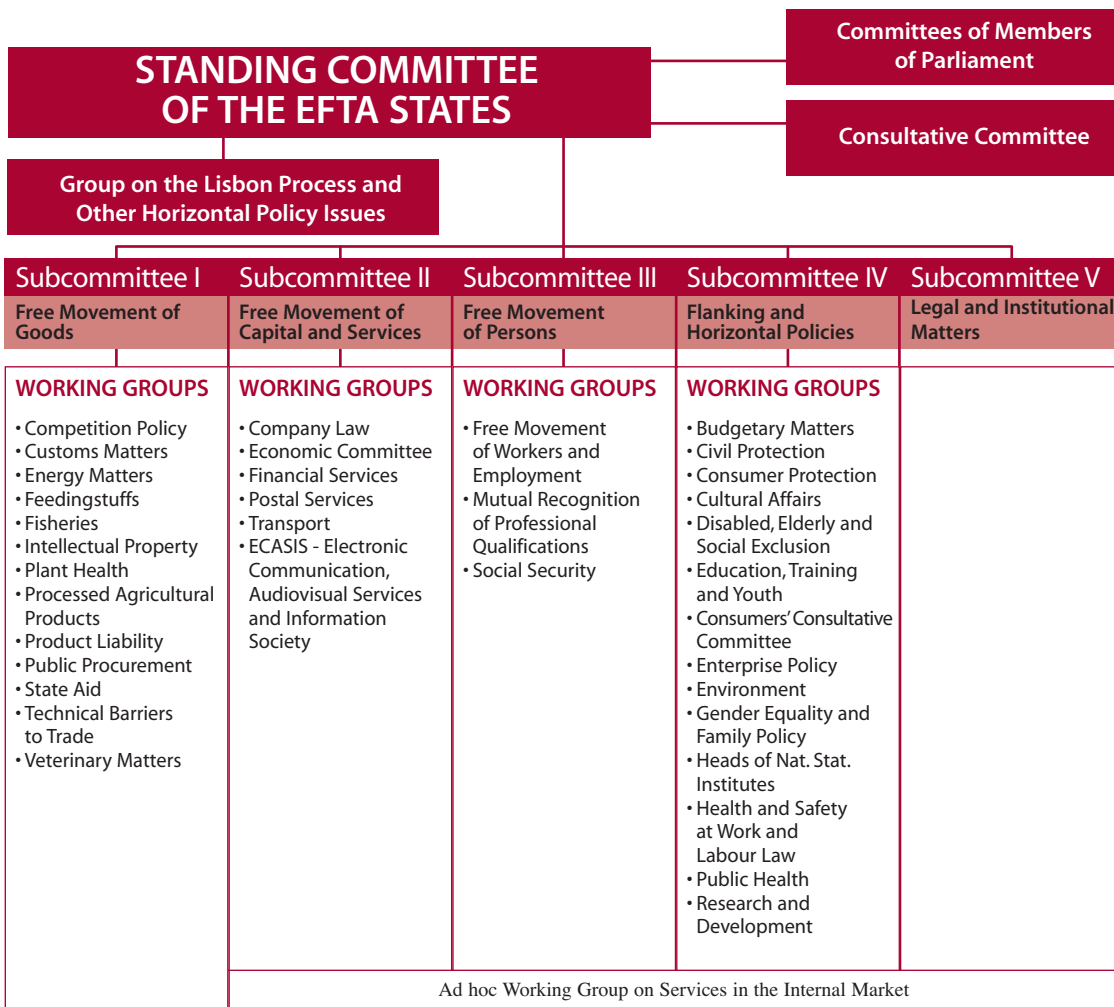
The EFTA Surveillance Authority

Located in Brussels, the EFTA Surveillance Authority ensures that Iceland, Liechtenstein and Norway respect their obligations under the EEA Agreement, just as the EU Member States are supervised by the European Commission. It also

ensures that enterprises in these countries abide by the rules relating to effective competition. The Authority can investigate possible infringements of EEA provisions, either on its own initiative, or on the basis of complaints. There is close contact and co-operation between the Commission and the Authority.

The EFTA Court

The EFTA Court, based in Luxembourg, corresponds to the Court of Justice of the European Communities in matters relating to the EEA EFTA States. The Court deals with infringement actions brought by the EFTA Surveillance Authority against an EEA EFTA State with regard to the implementation, application or interpretation of an EEA rule. The Court also handles the settlement of disputes between two or more EEA EFTA States. It also hears appeals against decisions taken by the EFTA Surveillance Authority and gives advisory opinions to courts in the EEA EFTA States on the interpretation of EEA rules.



Financial Mechanisms

Through the Financial Mechanisms Office (FMO) in Brussels, the EEA EFTA States actively participate in the reduction of economic and social disparities between the regions of the EEA.

The EEA Financial Mechanism 1994-98

The first Financial Mechanism entered into force on 1 January 1994 and was open for commitments until 31 December 1998. The last disbursements were made in January 2006 and the fund was closed in 2007. The decisions on the allocation of funds were made by the Financial Mechanism Committee representing the funding parties.

The EEA Financial Instrument 1999-2003

By the end of the commitment period, the Financial Instrument Committee had approved 25 projects (17 in Spain, 5 in Greece, and one each in Ireland, Northern Ireland and Portugal). During 2007, the Financial Instrument disbursed a total €15.5 million towards 14 projects. Altogether, the Financial Instrument has disbursed €60.2 million, equalling around 60 percent of the total amount committed. Of the 24 approved projects, seven Spanish projects and one Irish project have been completed.

The EEA Financial Mechanism and the Norwegian Financial Mechanism 2004-2009

The EEA Financial Mechanism and the Norwegian Financial Mechanism represent the contributions of Iceland, Liechtenstein and Norway toward European cohesion efforts. Over a five-year period through April 2009, the EEA Financial Mechanism will make available €672 million in grant assistance to 15 beneficiary states in Central and Southern Europe. Norway – as the largest donor – is contributing close to 95 percent of the funding. The Norwegian Financial Mechanism will make available an additional €567 million to the ten countries that joined the European Union in 2004. Norway will also contribute €68

million in bilateral cooperation programmes with Bulgaria and Romania.

The financial mechanisms were established in 2004 in connection with the historic enlargement of the European Union and the European Economic Area (EEA), which brings together the EU and Iceland, Liechtenstein and Norway in the Internal Market. Through the mechanisms a wide range of public authorities and institutions, organisations and businesses across Central and Southern Europe are eligible for grant support to realise projects for the public benefit. Institutions from Iceland, Liechtenstein and Norway can participate as project partners.

A Model of Cooperation

The Financial Mechanisms have been developed in close cooperation and dialogue between the donor states, the beneficiary states and a multitude of stakeholders, ensuring a strong sense of ownership both in the beneficiary states and the donor states. This model of cooperation has resulted in a slower start-up, but is now bearing fruit in terms of high-quality projects and direct cooperation between entities in the beneficiary states and the EEA EFTA states. Across Central and Southern Europe a diverse portfolio of 375 projects, programmes and funds contributing towards aims such as protection of the environment, conservation of cultural heritage, improved health and child care, and a strengthened civil society development were already being implemented by the end of 2007 or ready to be started.

Flexible Project Assistance

Individual projects are the most common form of support under the Financial Mechanisms, and at the end of 2007 open calls were held in all beneficiary states, except Bulgaria, Greece and Romania. During the first half of 2008, the remaining €230 million earmarked for this open form of support will be made available to potential applicants. Based on the very high number of applications generated by the calls for proposals made to date, it is clear that the mechanisms represent a highly popular and accessible contribution within the wider European cohesion efforts in the beneficiary states.

In addition to the individual projects, more than 40 block grants – or funds – are being established in the beneficiary states to channel over €120 million in grants to groups or interests that may otherwise have had difficulty in gaining support, such as non-governmental organisations (NGOs), students and researchers. The most notable example is the Polish NGO fund which was launched in April 2007 and will provide over €40 million to Polish NGOs and their partners in the EEA EFTA states. Seen in combination with the NGO funds established or planned in other beneficiary states, Norway is turning into one of the primary supporters of civil society in Central Europe.

Several of the funds are explicitly targeting partnerships with stakeholders in the EEA EFTA states, making them instrumental in achieving the aim of strengthening bilateral relations between Iceland, Liechtenstein and Norway and the beneficiary states.

Within the priority sectors, projects are supported for:

- Academic research
- Conservation of European cultural heritage
- Development of human resources
- Health and childcare
- Protection of the environment
- Sustainable development
- Aquis communautaire
- Schengen and the judiciary
- Cross-border activities and regional policy



EEA cohesion deals for Bulgaria and Romania: Iceland, Liechtenstein and Norway signed Memoranda of Understanding (MoU) on 25 October 2007 on the use of funds to be made available to Bulgaria and Romania under the EEA Financial Mechanism, following the two countries' entry into the EU and the EEA earlier the same year.

EFTA INSTITUTIONS

The EFTA Council

The EFTA Council manages relations between the EFTA States under the EFTA Convention. It is the forum in which the Member States consult, negotiate and act together. The Council's policy-making mandate is broad. The policies are designed to promote the overall objectives of the Association and to facilitate the development of links with other States, unions of States and international organisations. The Council is also responsible for administrative and budgetary matters within EFTA.

The Council normally meets at Ministerial level twice a year. This gives the ministers the possibility to deliberate together in formal and informal settings and to provide direct political guidance for EFTA's work. Ministers meet in June to discuss both free trade and the EEA Agreement. If required, an additional meeting exclusively devoted to free trade is held at the end of the year. Between the Ministerial meetings the Council meets monthly at ambassadorial level.

A number of specialised committees and experts groups assist and report directly to the Council. The Committee on Third-Country Relations, for instance,

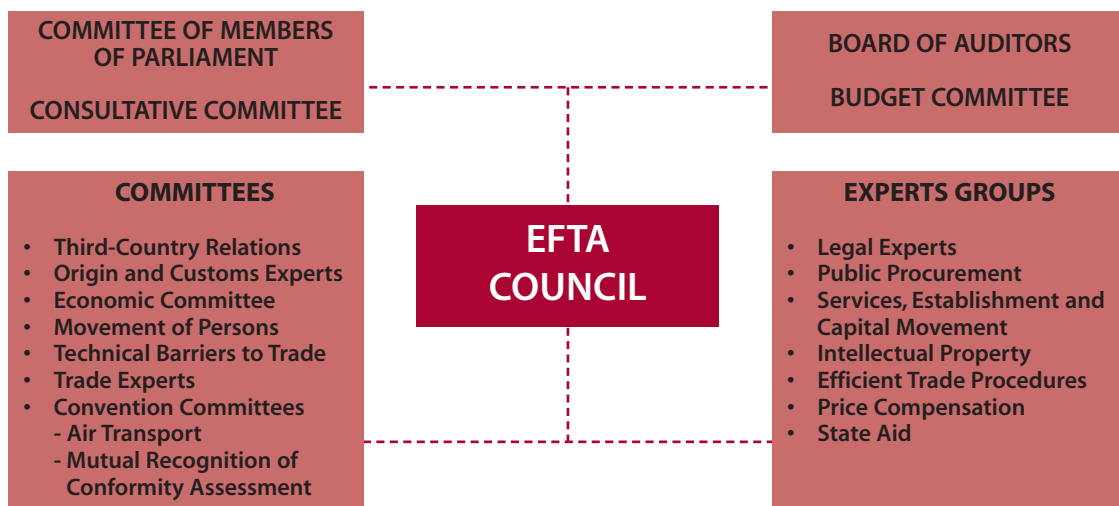
oversees the functioning and development of free trade and co-operation agreements with third countries. The Committee on Customs and Origin Matters oversees co-operation in the customs field. The Board of Auditors is the supreme auditing authority for the EFTA Secretariat, the EFTA Surveillance Authority and the EFTA Court. It also serves as a point of contact with the Court of Auditors for the auditing of EEA EFTA contributions to the EU budget. The Budget Committee assists the Council on EFTA budgetary matters.

A number of committees manages the updating of the EFTA Convention.

EFTA Advisory Bodies

The EFTA Consultative Committee (comprising representatives of industry and labour) and the EFTA Parliamentary Committee (comprising members from the EFTA parliaments), work to advise the Council on current EFTA affairs. Both Committees have formal links with their colleagues in the EU ("The Two-Pillar EEA Structure" p. 20). Occasionally, they also meet with their counterparts in countries with which EFTA has free trade agreements.

The EFTA Council Structure



Managing the EFTA Secretariat

The day-to-day running of the Secretariat is headed by the Secretary-General, who is assisted by two Deputy Secretaries-General, one located in Geneva and the other in Brussels. The three posts are shared between the Member States.

The division of the Secretariat reflects the division of EFTA's activities. The Secretariat employs approximately 100 staff members, one third of whom are based in Geneva and two thirds in Brussels and Luxembourg.

All Secretariat staff members are employed on three-year contracts, renewable once. While working at the Secretariat, staff members are servants of the Association and therefore not responsible to their national governments.

The Headquarters in Geneva deals with the management and negotiation of free trade agreements with non-EU countries, and provides support to the EFTA Council.

In Brussels, the Secretariat provides support for the management of the EEA Agreement and assists the Member States in the preparation of new legislation for integration into the EEA Agreement. The Secretariat also assists the Member States in the elaboration of input to EU decision-making.

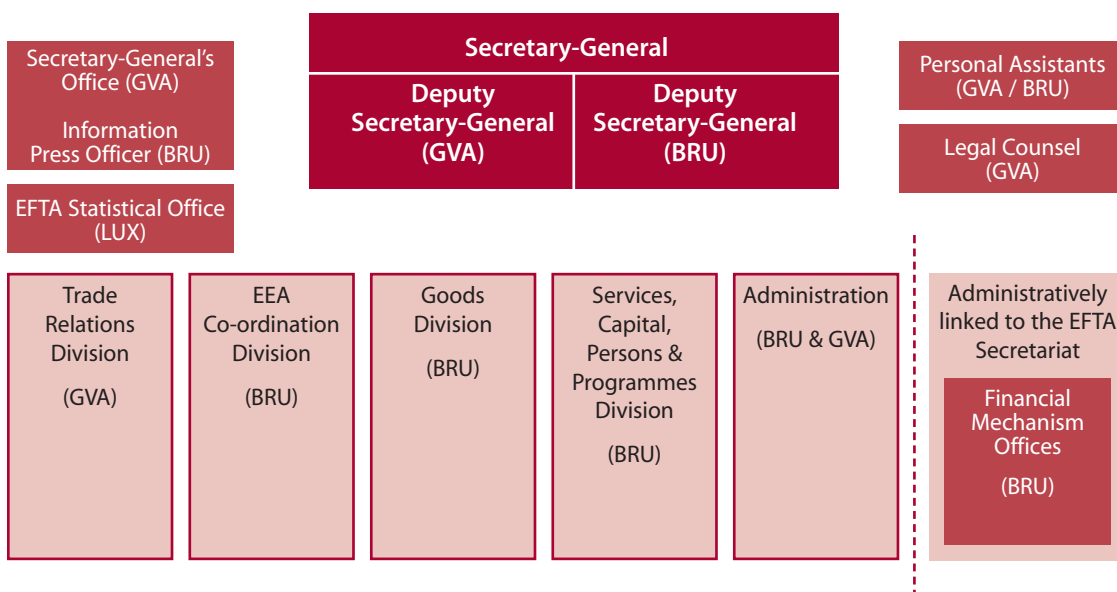
The two duty stations work closely together to implement the Vaduz Convention's stipulations on the intra-EFTA free trade area.

The Statistical Adviser's Office in Luxembourg contributes to the development of a broad and integrated European Statistical System.



The Secretaries-General troika. Kåre Bryn, Secretary-General, Bergdis Ellertsdottir, Deputy Secretary-General in Brussels, and Didier Chambovey, Deputy Secretary-General in Geneva.

Organisational Chart



EFTA Budget 2008 (in CHF)

Budget posts	Budget 2008
Trade relations	2 761 000
Managing the EEA Agreement	5 916 000
EFTA/EU Statistical cooperation	547 000
Secretary/General Services	1 313 000
EU-EFTA and EFTA cooperation programmes	3 480 000
Internal activities	11 311 000
Total EFTA Secretariat	25 328 000

Contributions to the EFTA Budget 2008

Member State	Contributions (in CHF)	Share (in %)
Iceland	1 163 000	4.59
Liechtenstein	246 000	0.97
Norway	13 590 000	53.00
Switzerland	10 329 000	41.44
Total	25 328 000	100.00

EFTA IN FIGURES

EFTA's merchandise trade with the world and the EU: 2006

(value of merchandise trade in million EUR and %)

Fig. 9

Country	Total trade with world	Import	Export	Total trade with EU	%	Import	Export
Norway	147 980	51 120	96 860	117 630	79.5	38 440	79 190
Switzerland	218 246	100 486	117 760	158 510	72.6	87 000	71 510
Iceland	7 520	4 770	2 750	4 944	65.7	2 901	2 043

Source: Eurostat

Leaders in world merchandise trade (excluding intra-EU-25 trade): 2006

(value of merchandise trade in billion USD and %)

Fig. 10

Rank	Country	Total	Share in world total	Exports	Imports
1	Extra-EU (25)	3179.5	17.3%	1 481.7	1 697.8
2	United States	2957.7	16.1%	1 038.3	1 919.4
3	China	1760.4	9.6%	968.9	791.5
4	Japan ^[2]	1229.5	6.7%	649.9	579.6
5	Canada	747.2	4.1%	389.5	357.7
6	Hong Kong, China	658.5	3.6%	322.7	335.8
	domestic exports/retained imports ^[1]	58.7	0.3%	22.8	35.9
	re-exports	299.9	1.6%	299.9	
7	Korea, Republic of	634.9	3.5%	325.5	309.4
8	Mexico	518.6	2.8%	250.4	268.2
9	Singapore	510.5	2.8%	271.8	238.7
	domestic exports/retained imports ^[1]	253.1	1.4%	143.1	110.0
	re-exports	128.6	0.7%	128.6	
10	EFTA	483.9	2.6%	272.4	211.5
12	Russian Federation ^[2]	468.4	2.5%	304.5	163.9
11	Chinese Taipei	426.8	2.3%	223.8	203.0
16	India	295.1	1.6%	120.3	174.8
13	Malaysia	291.9	1.6%	160.7	131.2
14	Saudi Arabia	275.8	1.5%	209.5	66.3
15	Australia ^[2]	262.6	1.4%	123.3	139.3
17	Thailand	259.4	1.4%	130.8	128.6
18	United Arab Emirates	237.2	1.3%	139.4	97.8
19	Brazil	233.4	1.3%	137.5	95.9
20	Turkey	223.8	1.2%	85.5	138.3
21	Indonesia	183.8	1.0%	103.5	80.3
22	South Africa	135.7	0.7%	58.4	77.3
23	Iran, Islamic Republic of ^[3]	124.8	0.7%	73.7	51.1
25	Philippines	98.5	0.5%	47.0	51.5
24	Israel ^[3]	96.4	0.5%	46.4	50.0
	Total of above ^[4]	17 034.6	92.6%	8 529.8	8 504.8
	World (excl. intra-EU-25)^[4]	18 394.0	100.0%	9 032.0	9 362.0

Source: WTO Secretariat

^[1] Retained imports are defined as imports less re-exports

^[2] Imports are valued free on board

^[3] WTO Secretariat estimates

^[4] Includes significant re-exports or imports for re-export



Leaders in world commercial services trade (excluding intra-EU-25 trade): 2006

(value of commercial services trade in billion USD and %)

Fig. 11

Rank	Country	Total	Share in world total	Exports	Imports
1	Extra-EU (25)	1 027.1	25.7%	555.4	471.7
2	United States	696.6	17.4%	388.8	307.8
3	Japan ^[1]	266.5	6.7%	122.5	144.0
4	China ^[2]	191.7	4.8%	91.4	100.3
5	EFTA	147.0	3.7%	85.0	62.0
6	India ^[2]	137.5	3.4%	73.8	63.7
7	Canada	129.5	3.2%	57.8	71.7
8	Korea, Republic of	120.2	3.0%	50.4	69.8
9	Singapore ^[2]	118.0	3.0%	57.3	60.7
10	Hong Kong, China	109.3	2.7%	72.7	36.6
11	Russian Federation	74.4	1.9%	30.1	44.3
12	Australia	64.1	1.6%	32.4	31.7
13	Chinese Taipei	61.4	1.5%	28.8	32.6
14	Thailand	55.7	1.4%	23.9	31.8
15	Brazil ^[2]	44.8	1.1%	17.9	26.9
16	Malaysia	44.2	1.1%	21.2	23.0
17	Mexico	39.1	1.0%	16.4	22.7
18	Indonesia ^[2]	35.3	0.9%	8.8	26.5
19	Turkey ^[2]	34.0	0.9%	23.5	10.5
20	Israel	33.7	0.8%	19.2	14.5
21	Egypt	25.9	0.6%	15.8	10.1
22	South Africa	25.7	0.6%	11.7	14.0
23	Saudi Arabia ^[2]	24.3	0.6%	6.2	18.1
24	New Zealand	16.2	0.4%	7.8	7.7
25	Chile	15.7	0.4%	7.4	8.3
Total of above^[3]		3 537.9	88.4%	1 826.2	1 711.0
World (excl. intra-EU-25)^[3]		4 000.0	100.0%	2 035.0	1 965.0

Source: WTO Secretariat

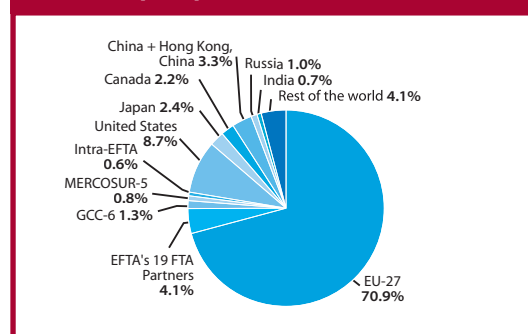
^[1] WTO Secretariat estimates for exports are based on the new methodology by the Bank of Japan

^[2] WTO Secretariat estimates

^[3] Includes significant re-exports or imports for re-export

Fig. 12

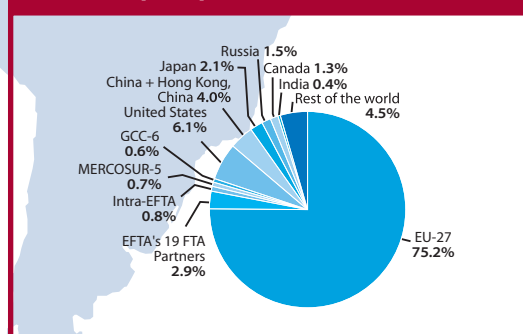
EFTA's top export destinations: 2006



Source: GTI, Global Trade Atlas (last update: November 2007)

Fig. 13

EFTA's top import sources: 2006

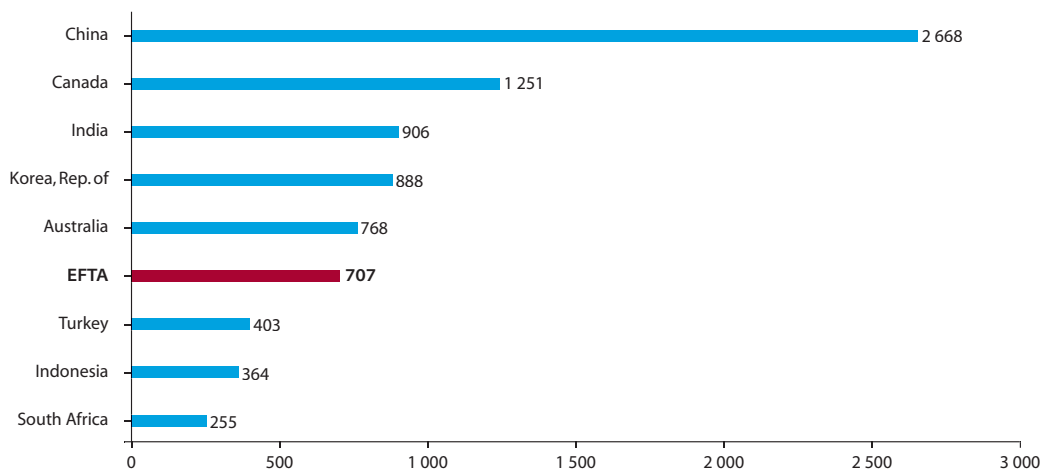


Source: GTI, Global Trade Atlas (last update: November 2007)

GDP of EFTA and selected countries: 2006

(in billion USD)

Fig. 14



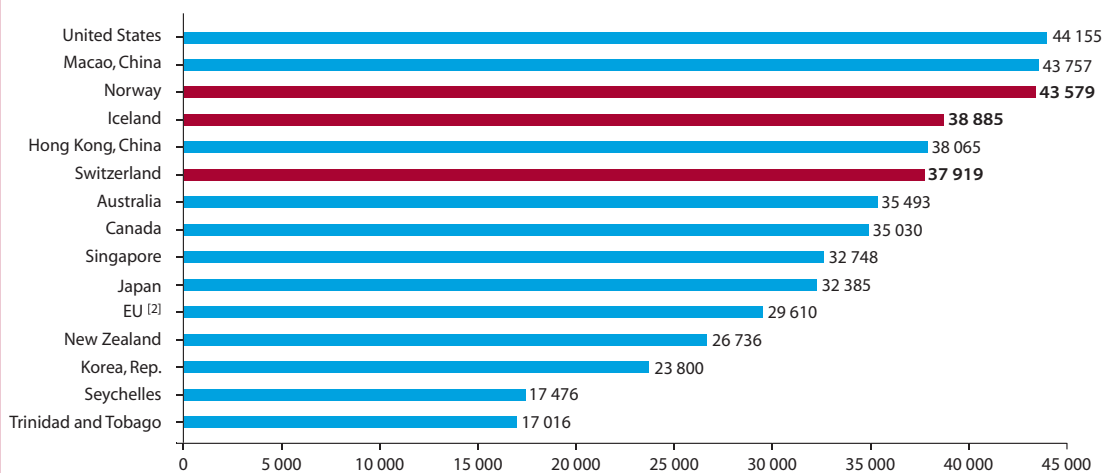
Sources: World Bank, world development indicators



Leaders in GDP per capita (PPP): 2006^[1]

(In USD)

Fig. 15



Source: World Bank

^[1] Counting the EU as one

^[2] Cyprus and Malta not included

The EFTA States combine competitiveness ...

World Competitiveness Scoreboards: 2007

IMD

Fig. 16

Rank	Country
7 (4)	Iceland
6 (8)	Switzerland
13 (12)	Norway

Source: Institute for Management Development
* 2006 rankings are in brackets

WEF

Fig. 17

Rank	Country
2 (4)	Switzerland
16 (17)	Norway
23 (20)	Iceland

Source: World Economic Forum
* 2006 rankings are in brackets

... with a high quality of life



UNDP

Fig. 18

Rank	Country
1	Iceland
2	Norway
3	Australia
4	Canada
5	Ireland
6	Sweden
7	Switzerland
8	Japan

Rank	Country
9	Netherlands
10	France
11	Finland
12	United States
13	Spain
14	Denmark
15	Austria

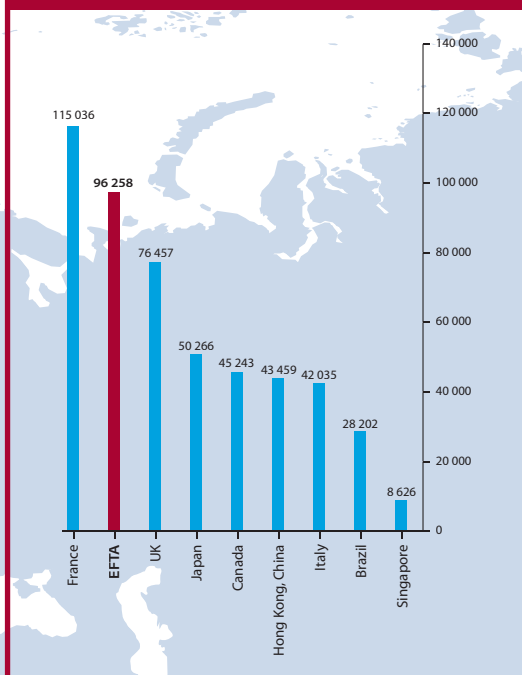
Sources: United Nations Development Programme (UNDP), The 2007 Human Development Report

The Human Development Index (HDI) provides a composite measure of three dimensions of human development: living a long and healthy life (measured by life expectancy), being educated (measured by adult literacy and enrolment at the primary, secondary and tertiary level) and having a decent standard of living (measured by purchasing power parity, PPP, income). The index is not in any sense a comprehensive measure of human development.

FDI outflows of EFTA and selected countries: 2006

(in million USD)

Fig. 19

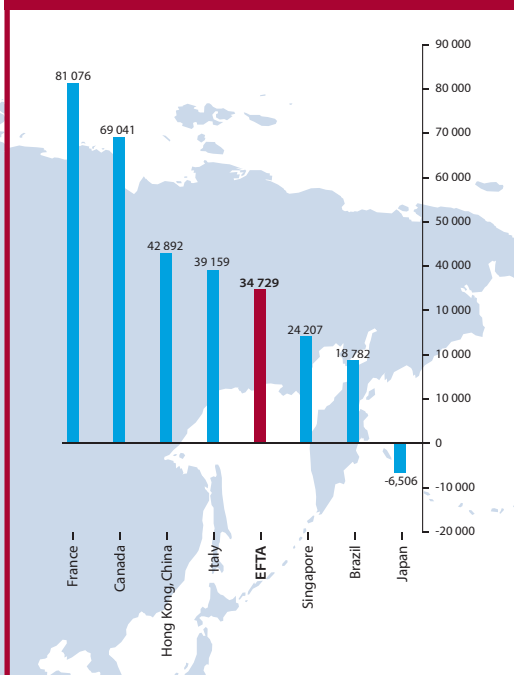


Source: UNCTAD

FDI inflows of EFTA and selected countries: 2006

(in million USD)

Fig. 20

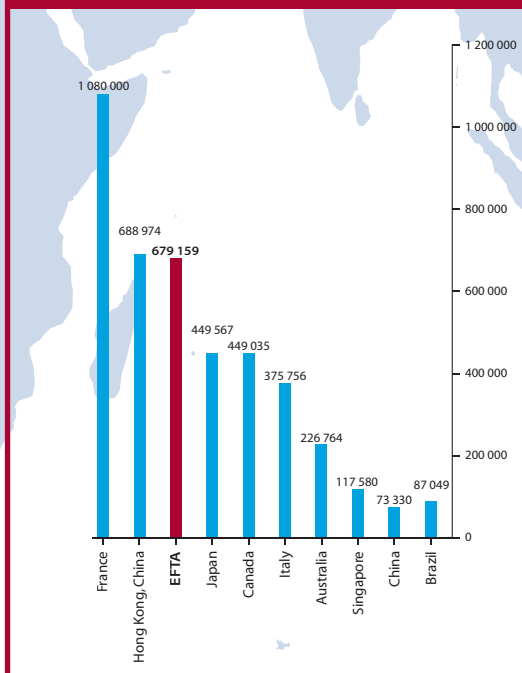


Source: UNCTAD

Outward FDI stocks of EFTA and selected countries: 2006

(in million USD)

Fig. 21

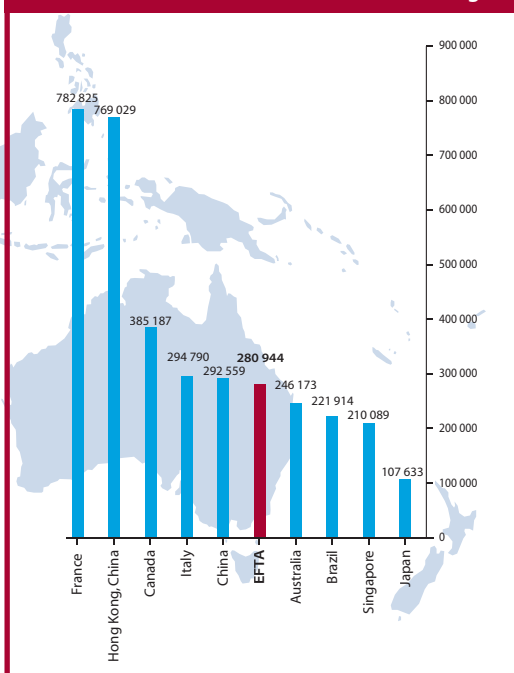


Source: UNCTAD

Inward FDI stocks of EFTA and selected countries: 2006

(in million USD)

Fig. 22



Source: UNCTAD

Top EFTA listed companies: 2007

Fig. 23

EFTA rank	Europe rank	World rank	Company	Activity	Market value (in billion USD)
1	7 (11)	26 (30)	Nestlé	Food Producers	155.0
2	8 (8)	27 (25)	Roche	Pharmaceuticals & Biotechnology	154.6
3	10 (7)	30 (21)	Novartis	Pharmaceuticals & Biotechnology	149.7
4	13 (12)	36 (31)	UBS	Banks	124.5
5	32 (31)	71 (84)	Credit Suisse	Banks	86.7
6	52 (36)	125 (93)	Statoil	Oil & Gas Producers	59.4
7	78 (68)	188 (185)	Norsk Hydro	Oil & Gas Producers	42.7
8	83 (73)	197 (200)	Zurich Financial Services	Nonlife Insurance	41.6
9	92 (97)	224 (272)	ABB	Electronic & Electrical Equipment	37.2
10	101 (111)	253 (327)	Swiss RE	Nonlife Insurance	34.0
11	113 (134)	292 (415)	Telenor Group	Mobile Telecommunications	29.7
12	116 (100)	305 (283)	Richemont	Personal Goods	29.1
13	133 (135)	361 (417)	Holcim	Construction & Materials	25.2
14	155 (125)	449 (383)	Swisscom	Fixed Line Telecommunications	20.4
15	160 (168)	467	Syngenta	Chemicals	19.8
16	168 (139)	495 (427)	DnB NOR	Banks	18.8
17	205 (236)		The Swatch Group	Personal Goods	15.5
18	206 (238)		Julius Baer	General Financial	15.4
19	213 (234)		Orkla	Food Producers	14.6
20	215 (193)		Synthes	Healthcare Equipment & Services	14.6

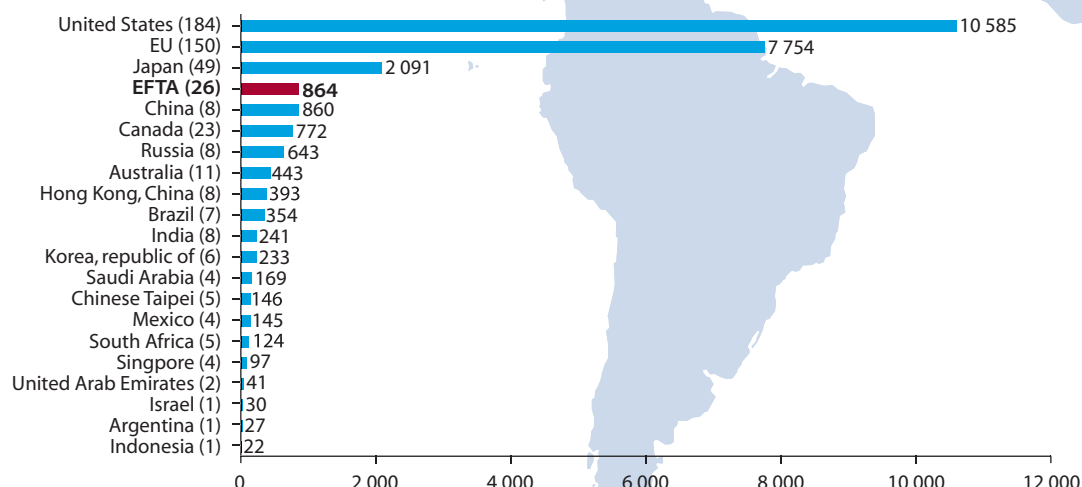
Source: FT Global 500 Survey: 2007

The FT Global top 500 companies survey is based on market values at end March each year; the 2006 rankings are indicated in brackets.

Top 500 companies in the world by market cap and by country: 2007

(Country (number of top companies) and market capitalisation in billion USD)

Fig. 24



Source: Financial Times, Global 500, 2007 (market value at 30 March)

Social indicators: 2006

Fig. 25

	Iceland	Liechtenstein	Norway	Switzerland	EU-27
Life Expectancy at Birth - Women^[1]	83.0	82.1	82.7	84.0	81.2
Life Expectancy at Birth - Men^[1]	79.4	78.7	78.1	79.1	75.1
Infant Mortality Rate (per 1 000 live births)^{[1][2]}	1.4	2.7	3.2	4.4	4.5
Population Growth Rate (in %)	2.2	0.8	0.9	0.7	0.5
Employment Rate (in % of persons aged 15-64 in employment)	84.6	68.5	75.5	77.9	64.4
Women	80.8	58.6	72.3	71.1	57.2
Men	88.1	78.2	78.6	84.7	71.6
Unemployment Rate	2.9	3.2	3.5	4.0	8.2

Sources: National Statistical Offices and Eurostat

^[1] Liechtenstein figures are from 2005

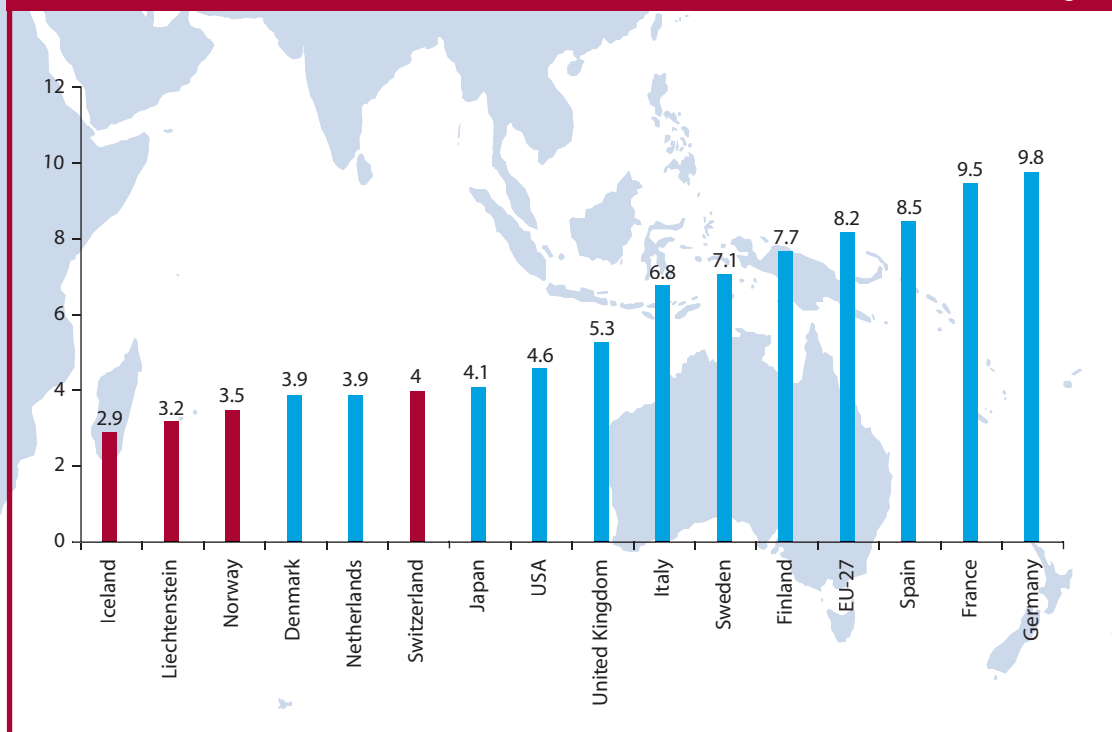
^[2] EU-27 figures are from 2004



Unemployment rates: 2006

(in %)

Fig. 26



Source: Eurostat

EFTA's main trading partners in merchandise trade: 2006

(in million USD and %)

Fig. 27

Rank No	Country	Total trade mn USD	Share %	Exports mn USD	Share %	Rank No	Imports mn USD	Share %	Rank No
	World	484 762	100	273 465	100	n/a	211 297	100	n/a
	Free Trade Partners	378 607	78.10	211 013	77.16	n/a	167 594	79.32	n/a
	EU-27	352 710	72.76	193 861	70.89	n/a	158 849	75.18	n/a
1	Germany	98 825	20.39	44 627	16.32	1	54 198	25.65	1
2	United Kingdom	50 361	10.39	40 412	14.78	2	9 949	4.71	6
3	France	39 705	8.19	22 808	8.34	4	16 897	8.00	3
4	United States	36 599	7.55	23 697	8.67	3	12 902	6.11	4
5	Italy	34 195	7.05	16 901	6.18	6	17 294	8.18	2
6	Netherlands	27 502	5.67	17 965	6.57	5	9 537	4.51	7
7	Sweden	20 749	4.28	9 297	3.40	7	11 452	5.42	5
8	Spain	13 193	2.72	8 411	3.08	8	4 781	2.26	12
9	China	12 092	2.49	5 029	1.84	13	7 063	3.34	8
10	Belgium	11 773	2.43	5 712	2.09	11	6 061	2.87	10
11	Austria	11 632	2.40	5 004	1.83	14	6 628	3.14	9
12	Denmark	11 141	2.30	5 502	2.01	12	5 639	2.67	11
13	Japan	11 083	2.29	6 636	2.43	9	4 448	2.11	14
14	Canada	8 687	1.79	5 997	2.19	10	2 690	1.27	17
15	Ireland	7 627	1.57	2 899	1.06	16	4 728	2.24	13
16	Finland	5 811	1.20	2 723	1.00	17	3 088	1.46	15
17	Russia	5 796	1.20	2 712	0.99	18	3 084	1.46	16
18	Hong Kong	5 430	1.12	4 015	1.47	15	1 415	0.67	21
19	Poland	4 581	0.95	2 501	0.91	19	2 080	0.98	18
20	Czech Republic	3 757	0.77	2 109	0.77	22	1 648	0.78	19
21	Korea South	3 707	0.76	2 094	0.77	23	1 613	0.76	20
22	Turkey	3 353	0.69	2 346	0.86	21	1 007	0.48	26
23	Singapore	2 931	0.60	2 369	0.87	20	562	0.27	34
24	Brazil	2 735	0.56	1 486	0.54	28	1 249	0.59	23
25	India	2 687	0.55	1 847	0.68	24	840	0.40	29
26	Taiwan	2 412	0.50	1 298	0.47	29	1 114	0.53	25
27	Portugal	2 272	0.47	1 638	0.60	25	634	0.30	33
28	United Arab Emirates	2 136	0.44	1 616	0.59	26	521	0.25	35
29	Thailand	1 898	0.39	966	0.35	33	932	0.44	28
30	Hungary	1 831	0.38	844	0.31	34	988	0.47	27
31	South Africa	1 823	0.38	701	0.26	38	1 123	0.53	24
32	Australia	1 758	0.36	1 515	0.55	27	244	0.12	52
33	Greece	1 596	0.33	1 268	0.46	30	328	0.16	48
34	Libya	1 544	0.32	206	0.08	67	1 338	0.63	22
35	Saudi Arabia	1 424	0.29	1 087	0.40	32	338	0.16	47
36	Norway	1 380	0.28	705	0.26	37	675	0.32	32
37	Israel	1 276	0.26	820	0.30	35	456	0.22	40
38	Mexico	1 274	0.26	1 091	0.40	31	183	0.09	58
39	Switzerland	1 245	0.26	420	0.15	42	825	0.39	31
40	Romania	1 231	0.25	753	0.28	36	478	0.23	39
41	Nigeria	1 102	0.23	264	0.10	59	838	0.40	30
42	Malaysia	1 026	0.21	520	0.19	41	505	0.24	36
43	Slovakia	875	0.18	387	0.14	44	488	0.23	37
44	Lithuania	771	0.16	284	0.10	54	486	0.23	38
45	Ukraine	722	0.15	533	0.20	40	189	0.09	56
46	Luxembourg	706	0.15	328	0.12	48	378	0.18	44
47	Iran	684	0.14	643	0.24	39	41	0.02	90
48	Latvia	617	0.13	366	0.13	46	251	0.12	50
49	Iceland	610	0.13	399	0.15	43	211	0.10	55
50	Estonia	608	0.13	201	0.07	68	407	0.19	41
	Other Countries	15 990	3.30	9 517	3.48	n/a	6 473	3.06	n/a

Sources: GTI, Global Trade Atlas (last update: November 2007)

EU programmes, agencies and other activities with EEA EFTA participation 2007-2013 - EU budget and estimated EEA contribution

Fig. 28

	Total EU Commitments 2007-2013 (million euros)	Estimated EEA EFTA commitments 2007-2013 (million euros)
EU Programmes and activities with EEA EFTA participation		
7 th Research Programme	50 521.0	1 201.9
Lifelong Learning Programme	6 970.0	165.7
Competitiveness and Innovation Programme incl E-content +	3 710.0	88.2
Youth in Action	885.0	21.0
MEDIA	754.9	17.9
Employment and Social Solidarity (PROGRESS)	743.3	17.7
Erasmus Mundus	648.3	15.4
Intermodal Transport (Marco Polo II)	450.0	10.7
Culture	400.0	9.5
Public Health	365.6	8.7
Community Statistical Programme	325.3	5.8
Civil Protection Financial Mechanism	189.8	4.5
Implementation and Development of the Internal Market	188.4	4.5
Consumer Protection	156.8	3.7
Fight Against Violence (Daphne) (2008-2013)	102.7	2.5
Interoperable eGovernment Services (IDABC) (2007-2009)	72.6	1.7
European Employment Service (EURES)	40.0	0.9
Safer Internet Plus (2007-2008)	27.7	0.6
Drugs Prevention and Information (2008-2013)	18.3	0.4
Sub total	66 569.7	1 581.3
EU Agencies and Institutes with EEA participation		
European Food Safety Authority (2008 - 2013)	443.4	10.5
European Centre for Disease Prevention and Control	347.7	8.3
European Maritime Safety Agency	343.0	8.1
European Medicines Agency incl. Special contribution to Orphan drugs	280.7	6.7
European Environment Agency	228.0	5.4
European Aviation Safety Agency	213.7	5.1
European Railway Agency	130.3	3.1
The European Chemicals Agency (2008 - 2013)	128.7	3.1
European Network and Information Security Agency	59.5	1.4
Sub total	2 175.0	51.7
TOTAL all joint EU activities with EEA EFTA participation	68 744.7	1 633.0

Please note:

- List contains joint EU activities with legal basis for EEA EFTA participation established as of 17 March 2008
- The estimated EEA EFTA contributions from 2009 and onwards are based on the EEA EFTA proportionality factor of 2008: 2.39%
- Liechtenstein do not participate in EFSA



The European Free Trade Association (EFTA) is an inter-governmental organisation for the promotion of free trade and economic integration to benefit its four Member States: Iceland, Liechtenstein, Norway and Switzerland. The Association is responsible for the management of:

- The EFTA Convention, which forms the legal basis of the organisation and governs free trade relations between the EFTA States;
 - EFTA's worldwide network of free trade and partnership agreements;
 - The Agreement on the European Economic Area (EEA), which enables three of the four EFTA Member States (Iceland, Liechtenstein and Norway) to fully participate in the EU's Internal Market.
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