**EFTA and The EEA Agreement**

[https://www.europeanmovement.ie/all-eu-need-to-know-efta-and-the-eea-agreement](https://www.europeanmovement.ie/all-eu-need-to-know-efta-and-the-eea-agreement%20/)

**What is the European Free Trade Association (EFTA)?**

The European Free Trade Association (EFTA) was established on 3 May 1960 following the signing of the Stockholm Convention on 4 January 1960.  Its purpose was to serve as an alternative trade bloc for those European states that were unable or unwilling to join the then European Economic Community (EEC), now the European Union (EU).  The seven founding members of EFTA were known as the ‘Outer Seven’ as opposed to the ‘Inner Six’ that made up the EEC. These seven members were: Austria; Denmark; Norway; Portugal; Sweden; Switzerland; and the United Kingdom (UK).

Finland became an associate member in 1961, before becoming a full member in 1986.  Iceland joined in 1970 and Liechtenstein joined in 1991.  Of all previous members, only four remain part of EFTA today; Iceland, Liechtenstein, Norway and Switzerland. The other former members have all since joined the EU: Denmark (1973); UK (1973); Portugal (1986); Austria (1995); Finland (1995); and Sweden (1995).

**What is the EEA Agreement?**

In order to extend the EU’s Single Market to EFTA states, the European Economic Area (EEA) was established in 1994.  Of the four EFTA states, Iceland, Liechtenstein and Norway are a part of the EEA while Switzerland is not.  Instead, Switzerland has a series of complex bilateral agreements with the EU.

The EEA incorporates the four freedoms of the Single Market (free movement of goods, people, services and capital).  Additionally, the EEA Agreement covers areas such as social policy, consumer protection, environment, company law and statistics.  All relevant legislation relating to the Single Market is integrated into the EEA Agreement so that it applies throughout the whole of the EEA.  In order to guarantee equal conditions of competition throughout the EEA, the EEA Agreement mirrors the competition and state aid rules of the EU treaties.  It also provides for participation in EU programmes such as Erasmus+ and Horizon 2020, and in turn the three EFTA states who are part of the EEA make significant financial contributions to the EU.

**What is the difference between EFTA and EU membership?**

One of the main differences between EFTA and EU membership is that EFTA members are not part of the EU Customs Union.

As EFTA states are not part of the EU Customs Union, they negotiate trade deals separately to the EU.  As a bloc, they have negotiated 26 Free Trade Agreements with other countries worldwide. As well as the EU Customs Union, the EEA Agreement does not cover the following EU policies: Common Agriculture and Fisheries; Common Commercial Policy; Common Foreign and Security Policy; Economic and Monetary Union.

Unlike the EU, EFTA states do not pass legislation.  However, EFTA states who are EEA members must also incorporate some EU law into their domestic legislation in return for access to the EU Single Market.  As they are not members of the EU, they do not get a formal say or vote on this legislation.

There are institutions which oversee the application of EU law in Norway’s, Iceland’s and Liechtenstein’s domestic legislation. The EFTA Surveillance Authority ensures that the three countries respect their obligations under the EEA Agreement.  It has powers that correspond to those of the European Commission regarding surveillance and application of EEA law.  The EFTA Court has the competence and authority to settle internal and external disputes regarding the interpretation or application of the EEA Agreement. The jurisdiction of the EFTA Court largely corresponds to the jurisdiction of the Court of Justice of the European Union (CJEU).

**Will the UK leave the EEA after Brexit?**

The EEA Agreement only applies to EU Member States, in addition to Iceland, Liechtenstein and Norway.  Under the present wording of the EEA Agreement, many have interpreted that it is impossible to be a party to the EEA Agreement without being a member of the EU or EFTA.  This in turn could be interpreted to mean that if a Member State were to leave the EU, they would also cease to be a member of the EEA. The CJEU would have the responsibility to interpret and rule on the EEA Agreement in cases concerning EU Member States.

**What is ‘Norway Plus’?**

In the context of the UK withdrawing from the EU, a ‘Norway Plus’ option has been mooted as a possible scenario for the UK’s future relationship with the EU.  In this scenario, the UK would seek to remain a part of the EEA via joining EFTA.  It is referred to as ‘Norway Plus’ because as well as joining EFTA, under this scenario, the UK would also seek to remain in the EU Customs Union.  EFTA states are not part of the EU Customs Union as outlined above.

The EFTA Convention from January 1960 states that any country may join EFTA “provided that the EFTA Council decides to approve its accession”.  This means that Iceland, Liechtenstein, Norway and Switzerland would have to agree to the UK joining EFTA.