



Vaduz Convention

Incorporation of the Bilateral Agreements between Switzerland and the EU

The Convention establishing the European Free Trade Association (EFTA) was signed on 4 January 1960 in Stockholm. The relations between today's EFTA member States (Iceland, Norway, Switzerland, and Liechtenstein) have since been governed by this Convention, the substance of which was originally limited to the commodity trade.

Switzerland, which, due to a negative popular decision, was the only EFTA member not to join the EEA, concluded seven so-called Bilateral Agreements with the European Union (EU) in 1999 in the areas of research, public procurement, mutual recognition of declarations of conformity, agriculture, civil aviation, road and rail transport, and free movement of persons. After concluding the negotiations with the EU, Switzerland offered the other three EFTA States to extend the outcome of the negotiations to EFTA, taking into account the principles of equal treatment and reciprocity. The proposal to initiate concrete negotiations only affected the relationship between Switzerland and the other EFTA States, since the regulations of the three EFTA/EEA States among themselves and with the EU were already governed by the EEA Agreement.

In June 1999, the EFTA Council of Ministers decided to revise the EFTA Convention, in order to intensify economic cooperation among EFTA States. The envisaged improvement of cooperation was in particular intended to take into account the status of the relations between Switzerland and the EU and the cooperation of the EFTA States with third States not members of the EU. Finally, the developments at the level of multilateral trade, especially in the framework of the World Trade Organization (WTO), were to be taken into account. The Bilateral Agreements between Switzerland and the EU formed the reference point for the revision of the EFTA Convention.

The negotiations among the EFTA States were substantially completed on 6 April 2001. Two areas, the protection of intellectual property and the freedom of movement of persons between Switzerland and Liechtenstein, required an in-depth evaluation, which was completed at the beginning of June 2001. The agreement amending the Convention establishing EFTA was signed in Vaduz on 21 June 2001 at a meeting of the EFTA Council at the ministerial level.

The Vaduz Convention achieves a complete revision of the EFTA Convention of 1960. The treaty relations between Switzerland and the other EFTA States are raised to a level comparable to the relations between Switzerland and the EU established by the Bilateral Agreements, with the exception of the research sector (scientific and technical cooperation), where this did not appear necessary. In various areas, there is now a – previously lacking – basis for negotiating free trade relations between the EFTA States and third States, namely in the areas of services, movement of capital, and protection of intellectual property.

The Vaduz Convention entered into force on 1 June 2002, at the same time as the seven Bilateral Agreements between Switzerland and the EU.



What is new?

The amendments to the EFTA Convention affect the following points in particular:

- The existing provisions regarding the **commodity trade**, the original core of the EFTA Convention have been restructured and freed from obsolete provisions (e.g., the provisions concerning transition periods for the dismantling of tariff measures);
- the provisions on the **trade in agricultural products** were updated, taking into account the developments of the relations between EFTA States and third States not members of the EU, as well as in the framework of the WTO. The tariff concessions pertaining to basic agricultural products were expanded in some cases (e.g., on cheese, various kinds of vegetables, sheep and lamb meat, and horses);
- mutual **recognition of declarations of conformity** (i.e., examinations, inspections, certifications, registrations, and authorizations required in cross-border movement of goods) were newly incorporated into the EFTA Convention. The relevant provisions correspond to those in the agreement on the mutual recognition of declarations of conformity between Switzerland and the EU. In addition, the notification procedure for drafts of planned regulations was reviewed and expanded to include requirements concerning information technology services, in order to take the most recent developments within the EU and the EEA into account;
- the **free movement of persons** was newly introduced for the EFTA zone as well. It is accompanied by a coordination of the various social security systems and the mutual recognition of diplomas. The free movement of persons among the EFTA States is modeled after the corresponding sector-specific agreement between Switzerland and the EU. Special provisions apply in this area between Liechtenstein and Switzerland;
- the EFTA States grant each other mutual **access to their markets** beyond the WTO standards;
- the **protection of intellectual property** was newly integrated into the Convention and is now governed by effective provisions;
- the EFTA Convention now also includes provisions on **trade in services and investments**. The EFTA States have decided, however, to retain certain restrictions in these areas. These will, however, gradually be dismantled. The process of liberalization also depends on the conclusion of a Bilateral Agreement on services between Switzerland and the EU;
- finally, the EFTA Convention contains provisions on **civil aviation and overland transport**, modeled on the corresponding sector-specific agreements between Switzerland and the EU. A quota system has been introduced for overland transport (quotas for 40-ton cargo transports as well as empty and light transports).

The new EFTA Convention is therefore a modern instrument appropriately taking into account the current needs of international economic relations. Its new character is dynamic. This means that it will regularly be modified to reflect new realities, in order to take the developments of the bilateral relations between Switzerland and the EU into account (conclusion of new negotiations or amendment of existing agreements to correspond with the development of Community law) as well as those within the EEA.