

Prime Minister
Gro Harlem Brundtland

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The EEA-negotiations: Status and perspectives.

Introduction

- We are now entering the final phase of the negotiations between the EFTA countries and the European Community on the creation of a European Economic Area. Both parties share the same ambition; an agreement should be signed before the summer break. That will leave us 18 months for ratification and approval by national parliaments. The EEA agreement can then enter into force in parallel with the internal market on 1 January 1993.

- It is just about two years since President Delors gave his speech to the European Parliament where he invited the EFTA countries to join the Community in a more structured partnership. Two months later the EFTA countries responded positively to his invitation. That was the beginning of what has been called the Oslo-Brussels process.

Before we take stock of the negotiations it is worth while to examine how this process came about and how it has fitted into a Europe of fundamental changes in the past two years.

Background

- I would like to go back to the summer of 1988. At that time my Government began preparing for our presidency of EFTA in the first half of 1989. We made a thorough examination of the European situation and of how our present cooperation with the Community served the interests of the EFTA countries.

First we concluded that the EC countries had revitalized

their cooperation considerably. The driving force was the publication of the White Paper on the completion of the internal market in 1985.

This came one year after the Luxembourg declaration that initiated a pragmatic case by case cooperation between the EFTA countries and the EC. The White paper added a new and fundamentally different dimension to European intergration.

In our domestic debates some tend to see the White paper as the source of this integration. But the main source - and this must not be forgotten - lies in the crucial challenges to Europe from the new world economy. The driving force is the new technological revolution that has spurred a new kind of industrialism. Micro electronics and information technology require a new kind of organization of industry, research and markets. In addition, trade in services has become the fastest growing part of the world economy.

Europe was not well prepared to meet this challenge. It is enough to list just a few of the characteristics of the late 1970's: A growing technology gap with the US, Japan and the new industrial nations of South East Asia. Growing inflation, raising unemployment, increased public and trade deficits.

The lesson was clear; one European nation could no longer defend itself against another by creating new barriers. One European nation could not stimulate its domestic economy without coordinating firmly with its trading partners. Europe experienced a striking lesson in how interdependence works in today's global economy.

- The White paper - and the institutional changes that followed the Single European Act - was the answer to the challenge. Elimination of technical and fiscal barriers to trade changed the competitive environment for European companies. Since the mid-eighties the companies began planning for a single market. Strategies were adapted for a market with common rules and standards. Euro-optimism replaced Euro-pessimism.

- The EFTA countries were faced with a double challenge - on the one hand the same fundamental changes in the world economy as I have described - and on the other hand the internal market programme of the EC.
- In 1988 we concluded that the Luxembourg-process was not enough. It did not have the sufficient dynamics to match the speed and scope of the internal market programme. It did not give the same degree of predictability for the planning and preparation of our companies. The free trade agreements of the EFTA countries only concern trade in goods and do not cover trade in services. Nor do they cover the new areas of cooperation such as the environment, technology, education and not least the social dimension of the European integration process.
- It was against this background that I invited my EFTA colleagues to come to Oslo in March 1989 to examine how we could improve our EFTA cooperation, and how we could better meet the challenge from the internal market.

There was a common understanding among the EFTA countries and the EC Commission that all parties would benefit from equal market conditions and enlarged cooperation going beyond the internal market.

- That is why we responded positively to Delors' invitation at the Oslo-summit. You know the rest; after an exploratory phase, we concluded 1989 that there was a basis for formal negotiations. They began formally last summer, and we hope to conclude them before the next one.

I refer to these few observations just to underline that the challenge from the internal market is as real today as it was then. An EEA-agreement is even more important today in the light of the progress the EC.

The state of the negotiations

- I hold a rather optimistic view on the current state of the negotiations. These are complex negotiations covering a wide range of often technical issues. It has been necessary to support the process with frequent political inputs, from governments but also from the social partners in the EFTA consultative committee.
- It is true to say that the negotiations reached a deadlock last fall. The EFTA countries announced demands for a number of derogations from the EC acquis communautaire. The EC on its side refused these derogations, and blocked further progress on the institutional issues.
- The EFTA countries brought the negotiations out of the deadlock by signalling willingness to give up derogations on the condition of satisfactory safeguard clauses and a clear progress in the institutional field.
- This strategy worked. The ministerial meeting in December was a demonstration of how political targets can bring momentum to the negotiations. Ministers now agree on major elements. Let me mention just a few of them:

The relevant acquis communautaire has been identified.

There is agreement on the need for common competition rules, including mechanisms for surveillance and enforcement.

There is agreement on the need to reconcile the ensurance of a high level of protection in the fields of health, safety and the environment with the free circulation of goods.

There has been made considerable progress on the question of safeguard mechanisms.

We agree on key principles for the institutional set up. There will be an EEA council where ministers will meet twice a year. There will be an EEA joint body responsible for the

implementation and operation of the agreement.

Our experts will have equal opportunity to give input to the decision-shaping phase through a continued process of information and consultation. EEA-decisions will be taken by consensus and have the character of public international law.

Difficult issues remain to be solved. There is still no solution to trade in fish and agricultural products. Important questions such as anti-dumping rules and rules of origin must also be considered further.

Both parties count on a completion of the negotiations before the summer break.

The social dimension

- The EFTA countries put a particular emphasis on enlarging our cooperation beyond the internal market. In the Oslo-declaration we stress the need to strengthen the social dimension of European integration. This was given particular attention at the conference on the social dimension gathering representatives from all 18 EC and EFTA-states in Oslo last year.
- Against this background we should see to it that the preamble to the EEA agreement underlines basic social ambitions such as employment, health and safety at the work place, welfare and democratic and social rights. The Treaty of Rome highlights such ambitions in articles 117 and 118. I see no reason why this should not be the case also for the EEA-agreement.
- The social dimension has been reflected in the negotiations. In my view these issues must be addressed from two angles: On the one hand what we can get into the agreement, and on the other hand what we jointly will achieve once the agreement enters into force.
- Concerning the EEA-agreement we seek to include existing programmes and legal acts that will strengthen the social dimension in the EEA. These are based on the work that

has followed the adoption of the EC social charter in 1989. Much of the planned legislation is still in the pipeline.

The EC social action programme is not as such included in the negotiations, but the main elements of the programme are on the table. They relate to the groups dealing with free movement of goods, free movement of persons and in particular the group addressing the horizontal and flanking issues. This concerns a number of minimum directives covering areas such as equal conditions for men and women, and health and security on the working place. These directives do not limit our right to maintain or adopt stricter national legislation.

It is further accepted as a principle that local conditions will be applied for short term and seasonal work as for work of a permanent character. This complies with an important interest of the labour unions in the EFTA countries. We would need, however, a system of surveillance to ensure that these conditions are respected.

The current directive on information and consultation in transnational companies will also be a part of the agreement. This will only be applied for companies operating on a transnational level.

- Most important for the strengthening of the social dimension of European integration will be our political ambitions once the EEA-agreement enters into force. We will then have new opportunities to influence the decision shaping and the decision making process of the Community. For the first time we will be able to work directly for common targets for a European social policy.
- One obstacle for pushing ahead lies within EFTA itself. In this field as in every other we will have to speak with one voice when operating within the EEA. Different priorities in the EFTA countries will limit our ability to influence our EC partners. This goes as a challenge to you; coordination between the EFTA trade unions can make coordination between governments easier.

- The EEA council will convene two times a year on a Ministerial level. In my view it would be appropriate to put the social dimension on the agenda for such meetings - bringing together the responsible ministers from the EEA countries.
- A three party dialogue has been established in the Community. We should now see how a similar structure could be established on the EFTA side with the view of merging the two together in an EEA-perspective. Our six countries have strong traditions in this field. We now have an opportunity to contribute to a more active social policy at the European level.

Future perspectives

- When the process was initiated there were those who questioned the ability of the EFTA countries to remain together throughout the negotiations. However, the EFTA solidarity has been solid. We have been able to speak with one voice and we have set common targets for the negotiations.

I wish to underline the importance of this common effort. We are adding a valuable contribution to European cooperation and integration. The internal market could have created barriers between the Community and the rest of Europe. The EEA process will help keeping the European market open and more integrated. In addition to the economic benefits, there is also a fundamental political dimension to this.

- Since we began our work in 1989 Austria has applied for membership in the Community, and Sweden has announced its intentions to do the same.

How does this affect the EEA-project? First, there is no reason to question these countries' right to make such a decision. In today's changing European environment each country must make its own judgement on how national

interests can best be served.

- These decision may, however, influence the negotiations.

On the one hand they may limit the willingness of the EC negotiators to create a proper EEA institutional arrangement. The Community may reason that the EFTA countries are heading for membership and that the EEA agreement is just a transitional arrangement.

On the other hand, the EC may see this as a demonstration of the EFTA countries' seriousness to participate fully in the internal market and to participate actively in European integration and cooperation.

- In my view both readings are valid. But even though our long term perspectives may differ, the EFTA countries share one vital interest; to get the EEA-agreement operative from 1 January 1993. Both Austria and Sweden know that it may take several years before a membership will be a reality. New events may arise that change the basis for their decision to ask for membership.

Still the internal market will be there - and we want to participate. Nothing must bring that ambition in doubt. That would be a signal of hesitation. Our companies are now planning for full participation in the internal market. Contradictory signals could lead them to chose investments inside the EC countries rather than at home. This we must prevent if we want to secure our employment and the very foundation of our welfare states.

- An EEA-agreement should be an independent alternative to membership. The institutional arrangement should be flexible. But it must not be simplistic and conceived in the perspective that this is a transitional arrangement. In this perspective I welcome the statement from the new Austrian EFTA presidency. Austria will work actively to bring the negotiations to a succesful conclusion.
- It is of great importance that the EFTA trade unions give full support to the process in this final phase. We wil need your support - in your dialogue with your

governments - but also in your direct contact with your European colleagues.