

# European free trade association (efta)



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European Free Trade Association The European Free Trade Association came into being on May 3, 1960, with current members being Norway, Iceland, Switzerland and Liechtenstein ([www.genevabriefingbook.com](http://www.genevabriefingbook.com)). Other countries such as Sweden and the UK were also members, but later left to join the European Community. The European Free Trade Association has formed an alternative option for those countries that were either not allowed or did not wish to join the European Community. The EFTA was established by the Stockholm Convention in order to reduce eliminate tariffs and all other trade barriers among the member states ([www.genevabriefingbook.com](http://www.genevabriefingbook.com)). Three out of the four EFTA members – all excluding Switzerland – are now members of the EEA (European Economic Area) Accord, linking the EC and EFTA countries for the purposes of multi lateral trade.

The trend towards globalization of the world economy is promoted through the scheme of generalized tariff preferences (GSP) of the four members of the European Free trade Association. This scheme allows for preferential tariff arrangements among the trading countries of the EFTA and the EC which resulted in savings of \$1.5 billion in preferential imports in 1980 (Brown 1989). The EFTA has fewer such preferential arrangements with other countries as compared to the EC and is therefore less restrictive in choosing the beneficiaries of preferential trading arrangements. Brown (1989) has provided the preferential tariff margins for 22 countries, listing all the major beneficiaries of this system, under which the payment of import duty is suspended on industrial products and small reductions in tariffs are available for some agricultural products. Manufactured and semi manufactured goods enjoy higher amounts of reductions in tariff. This provides a significant boost to free trade in the international context.

The salient difference between the countries of the European Community and the EFTA countries lies in the degree to which they are willing to share sovereignty. The countries of the European Free Trade Association wanted to restrict the limits of their cooperation with other European countries to that of economic cooperation, while members of the EC were willing to hand over some of their sovereignty and autonomy over their own affairs in order to receive some concessions in influencing the policies of other countries in exchange. (Henning et al, p 86).

For the four countries that are still members of the EFTA however, maintaining their autonomy and sovereignty is of supreme importance and they are unwilling to allow other countries to influence their internal policies. It is only in the area of trade and economic cooperation with other countries that the EFTA nations are prepared to make concessions. Furthermore, these countries are amenable to preferential tariffs and economic integration in industrial goods, but not where agricultural products are concerned; therefore reductions in tariffs offered in agricultural products is minimal as compared to other goods.

In conclusion therefore, it must be noted that the European Free trade Association constitutes an area of multilevel trade and economic cooperation among the constituent countries. With the EFTA joining the EEA, this sphere of cooperation in the area of trade and commerce has also extended to other countries in Europe and the world, thereby providing for an area of international trade and facilitation of the forces of globalization in terms of trade and commerce. However, the important aspect that distinguishes the EFTA countries from other countries of the EC is their unwillingness to relinquish their autonomy and sovereignty over policy making and managing

their own affairs in aspects other than economic cooperation and trade.

#### References:

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