

Transatlantic Trade and Investment Partnership

Trade talks push EFTA to forge closer ties with US

By Brian Beary in Washington | Wednesday 25 September 2013



As EU and US negotiators gear up for the second round of free trade agreement talks, on 7-11 October, the EU's closest trading partners are getting to grips with the potential deal's consequences. With 75% of their trade directed either to the EU or the US, the four member countries of the European Free Trade Association (EFTA) - Iceland, Liechtenstein, Norway and Switzerland - are eyeing developments with huge interest. In an exclusive interview with *Europolitics*, Aurelia Frick, foreign minister of Liechtenstein, which currently chairs the EFTA Council, stressed how they were especially focused on enhancing their access to the US market. The EFTA quartet already has access to the EU28's market via the European Economic Area (EEA) agreement, which took effect in 1994.

UNLEVEL PLAYING FIELD?

The same cannot be said, however, for access to the US market because none of the EFTA countries have free trade agreements (FTAs) with Washington. "For me, it makes sense to have countries which are well embedded in the European economy enjoy one level playing field" with their EU and US trading partners, Frick said. The proposed Transatlantic Trade and Investment Partnership (TTIP) creates a risk of this playing field becoming unlevel, she admitted. Whereas EFTA nations will be required to open up their markets to the US by aligning themselves with the TTIP's provisions, they will not get automatic reciprocal access to the US market. "The US is an important partner for every EFTA state," she noted, with Switzerland, for instance, responsible for providing 500,000 jobs in the US.

EFTA is not the first trade partner to take note of the unlevel playing field risk. Turkey, which has a customs union with the EU since 1995, will have to align its tariff rates and regulations with any future TTIP provisions without necessarily gaining access to the US market in return. Ankara has set the alarm bells ringing about this and on 16 September it began a dialogue with the US Trade Representative (USTR) to see what can be done about it. Canada, which has an FTA with the US but which is still trying to finalise one with the EU, has also been watching the TTIP initiative with some concern.

Frick said that the EFTA countries decided, after discussing the matter at a ministerial meeting in Trondheim, Norway, in June, to push for a new trade policy dialogue with the US. "We have gotten a very positive response" from the USTR, she said. The chief trade negotiators of the four EFTA countries and the EFTA Secretariat will meet with the USTR by the end of 2013 to explore options. EU and US trade officials, meanwhile, remain focused on what the scope of the TTIP should be. They have thus far put to the side the issue of whether and how third countries can accede to the

agreement after it is concluded. There is “no indication from the EU side yet on how it will deal with the EFTA states on TTIP. Everything is open at the moment,” Frick said.

Asked if the issues raised by the TTIP were creating any momentum to change their current relationship with the EU, which is based on the EEA agreement - for instance a desire for full EU membership - Frick said “not at all” in the case of Liechtenstein. “The EEA is running very smoothly” as it gives the EEA nations the market access they need to the EU, she said. “We are comfortable with the way we are embedded in the European economy.” Neither did she seem worried about the EU’s trend in recent years to conclude lots of bilateral and regional FTAs in response to the failure to get a global agreement at the World Trade Organisation. “EFTA is one of the top performers in free trade negotiations,” she noted. EFTA has mirrored the EU’s efforts in this area and now has 26 free trade agreements covering 36 countries. It is negotiating new FTAs with a further 11: Algeria, Guatemala, Honduras, India, Indonesia, Malaysia, Russia, Belarus, Kazakhstan, Thailand and Vietnam. As a trading bloc, EFTA is the fifth largest in the world for services, and the eighth largest for goods and services.

EFTA, EU and US economies

Population - GDP

EFTA*: 13.5 million - 894 billion euro

EU28: 507 million - 12,752 billion euro

USA: 317 million - 12,020 billion euro

* *Iceland, Liechtenstein, Norway, Switzerland*