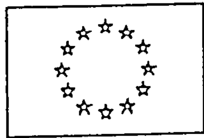

COMMISSION OF THE EUROPEAN COMMUNITIES

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COMMUNICATION FROM THE COMMISSION

WTO ASPECTS OF EU'S PREFERENTIAL TRADE AGREEMENTS WITH THIRD COUNTRIES

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WTO ASPECTS OF EU PREFERENTIAL TRADE AGREEMENTS WITH THIRD COUNTRIES

COMMUNICATION FROM THE COMMISSION

I. Introduction

In June 1996 the Florence European Council called for "a report on the evolution of the trade policies and of the preferential agreements of the Community". This invitation reflected a continuing debate within the EU on this issue. Important orientations in this debate have already been taken up in:-

- The Commission's Communication "Free Trade Areas: An Appraisal", 8 March, 1995 (SEC(95) 322 FINAL);
- The Commission's Communication "The Global Challenge of International Trade: A Market Access Strategy for the European Union" 15 February, 1996;
- Council Conclusions of 22 June, 1995 and 29 October, 1996 consideration of EU regional agreement proposals, and in the preparation of Singapore WTO ministerial.
- The Conclusions of the First WTO Ministerial Conference in Singapore on 13 December, 1996.

As well as participating fully in multilateral trade liberalisation the EU also has concluded or is negotiating preferential trading agreements with various trading partners. These preferential trading agreements, whether taking the form of Free Trade Areas, Customs Unions or non-reciprocal trading agreements such as the Lomé conventions, are always negotiated to be in conformity with GATT Article XXIV and GATS Article V. They respond to a number of objectives:

- Historically, the EU has used preferential agreements strategically, to provide an economic dimension to wider agreements with neighbouring countries, with which more general co-operation was envisaged. Initially, this included Greece, Turkey, Malta, Cyprus as well as the EFTA countries and the so-called "first generation" of agreements with countries of North Africa and the Middle East.
- The EU used a similar policy (involving non-reciprocal trade preferences) in the Yaoundé and now Lomé Conventions, as an instrument of development, and to provide an economic dimension to its assistance to former dependent territories. Agreements between the EU and developing countries which aim to strengthen trade and other links can provide support for economic, social and political reforms in the countries concerned. Separately, the EU has also promoted regional integration between developing countries, for developmental reasons. These separate arrangements, to the extent that they do not fall under Article XXIV of GATT, are not the focus of this paper.

- More recently, similar considerations have applied to the development of preferential agreements in Central and Eastern Europe, where they contribute to preparing these countries for possible Community membership. The objective here is therefore significantly more than one of a close and stable economic relationship.

As well as serving these transitional and developmental goals, it is also important to note that the EU's preferential agreements do serve to open markets by pushing forward a pattern of tariff disarmament in partner countries, helping them to prepare for further multilateral liberalisation. This feature of the EU's agreements has become more significant in recent years, as the EU has concluded or is negotiating in the context of its new Mediterranean policy new association agreements with Mediterranean partners, which include the establishment of free trade areas on a reciprocal basis. The EU has also been encouraging partners to join the WTO if they had not done so.

Recently, concern has been expressed that the EU's overall pattern of preferential agreements has had an unforeseen cumulative impact in the EU's own market (and future WTO negotiating position), as a result of the preferential market access conceded to third countries. There has also been concern that the new WTO dispute settlement system might create a risk for the EU, if the WTO conformity of a particular agreement were successfully challenged. This internal debate has paralleled international concern that the number of preferential agreements being put in place by the EU and others around the world 'threatened' to the WTO system.

Against this background, the strictly limited purpose of this paper is to suggest how the EU should respond to the question of clarifying WTO rules, which was raised by the October GAC and put formallly on the WTO agenda by the Singapore Ministerial. This paper is not designed to re-examine the broader range of issues addressed in 1995, and on which the Commission position remains unchanged.

II. Debate in the WTO

In the WTO, the debate has revolved around two key claims:

- That there has been a proliferation in the number of preferential agreements in recent years, and;

- that this has resulted in a threat to the WTO.

- The proliferation of regional agreements

The claim that there has been a 'proliferation' of agreements needs careful examination. WTO Secretariat information (set out in summary form in Table 1) shows a total of 69 preferential agreements notified under the GATT currently in force at the end of 1996, with 39 notified since 1990. At first sight this confirms the view that there has been a sharp upward trend in notifications since about 1990.

But closer examination suggests that this figure is not as alarming as it may seem. The only new agreements involving the EC awaiting examination are those with the 10 countries in a pre-accession process with the EU, as well as the final stage of the Customs Union with Turkey. Six of those agreements are with countries which did not exist before 1990. Many of the other agreements notified since 1990 are similar EFTA agreements, also extending to Central and Eastern European countries the sort of preferential arrangements which have been in place in Western Europe since the early 1960s. The WTO Secretariat data contains very few examples of recent free trade agreements being concluded between parties which are not geographically contiguous or linked by other regional arrangements.

Recently we have seen, and it is certainly the case in the EU, that many preferential agreements now cover trade in services and that will in its turn mean that they will require notification and examination under Article V of the GATS. A number of notifications have already been made under the GATS. Most agreements notified under GATS have also been notified under the GATT for an examination of the trade in goods. This raises the question, in the long term, whether there should be a single examination of both goods and services aspects when examining any economic integration agreement, and whether they should be examined on the same basis.

So far, very few of the agreements forming the "backlog" of notified but unexamined agreements within the WTO involve agreements outside the wider European framework. The most significant examples are NAFTA and MERCOSUR. Most of the other agreements involve the EC, EFTA or a range of Central and Eastern European countries. Looking ahead, the EU will be notifying the new-generation Mediterranean agreements shortly (these have been concluded but have yet to enter into force with Tunisia and Morocco; negotiations are underway with Lebanon, Jordan, Egypt and the Palestinian Authority; negotiations will begin shortly with Algeria and some time in the future with Syria). In addition, the EU will start negotiations with ACP countries in 1998 on the future of that relationship, including trade matters.

But it is worth looking further afield, to consider the extent to which third parties are likely to avail themselves of Article XXIV in future. In addition to MERCOSUR, there is a wide range of agreements in prospect in Central and South America, including extensions of both MERCOSUR and NAFTA. In addition, preferential agreements are likely to be formalised within the ASEAN countries, and the overall proposal for a Free Trade Area of the Americas remains live.

- **The threat to the WTO system**

The second claim made is that the rise in the number of agreements poses a "threat" to the WTO system. WTO Secretariat analysis confirms the EU's view that, on the whole, the effect of regional integration agreements concluded since 1947 has been to create rather than divert trade, and has therefore tended to reinforce the benefits of the multilateral system rather than undermine them. But the WTO Secretariat studies show that this may have occurred despite the operation of WTO rules, rather than because of their operation. Hence the conclusion of the WTO Ministerial that *"The expansion and extent of regional trade agreements make it important to analyse whether the system of WTO rights and obligations as it relates to regional trade agreements needs to be further clarified".* In conducting this analysis, we will need to ensure that WTO pays due attention to the needs of the Least Developed. Since the Least Developed are in most cases (with the exception of Lomé) outside the growing network of preferential agreements involving developed and advanced developing countries, the proliferation of such agreements increases the risk of the marginalisation of the most vlunerable economies in the world system".

- **The EU approach to this debate**

The Council's view was expressed in the debate leading to the June 1995 Conclusions, that preferential agreements entered into by the EU and third parties should be consistent with WTO rules. At present the interpretation of those rules is difficult and in many cases inconclusive. The June 1995 Conclusions form the basis for the EU's working method to ensure a consistent approach to the issue.

III. WTO rules and practice

The wider WTO debate has been complicated by an over-simplified interpretation of the existing requirements of GATT Article XXIV on free trade area and customs unions. This only provides for the contracting parties to make recommendations in circumstances where they consider that the notified agreement is not likely to lead to the formation of a proper free trade area or customs union. The test is negative rather than positive.

At the same time, there are also the long-standing concerns about the difficulty of properly interpreting GATT Article XXIV. Questions about the definition of "substantially all trade", as well as the definition of major sector, and the related question of coverage in terms of non-traded goods all remain as significant sources of uncertainty. Historically, the process of GATT examination and agreement on proposed agreements broke down in the early 1960s, in the wake of the difficulties surrounding the establishment of the EC, with subsequent Working Party reports containing disagreed conclusions The result has been to entrench the uncertainties surrounding Article XXIV, while the rest of the GATT system has meanwhile evolved in the direction of clearer rules and more effective dispute settlement (the latter also applicable to Article XXIV). For many years, there was a tacit acceptance that Article XXIV rules would not be interpreted too rigorously. In part this reflected the fact that

trade relations between major economies tended to be on an MFN basis, with preferential arrangements on the whole involving smaller economies, or relationships with strong development objectives. In the Uruguay Round, the operation of Article XXIV was the subject of some clarification, in the Understanding on the Interpretation of Article XXIV, which found part of the WTO Agreements. The Understanding provided real elements of technical clarification in respect of customs unions and the compensation process under Article XXIV.6, but little else of substance.

In the WTO, the debate has also been affected by the emergence of the backlog of notified but unexamined agreements and the impending need to begin assessing the compatibility of agreements with the provisions of the GATS. The WTO sought to address this through the establishment at the beginning of 1996 of the Committee on Regional Trade Agreements (CRTA). The CRTA also has a mandate to consider systemic issues. Although it has made an energetic and well-organised start, it is too soon to judge how successful the CRTA will be. Satisfactory progress dealing with the backlog is an important element in any move to clarify WTO rules.

The situation in respect of services agreements under the GATS is different. GATS Article V provides for a system of notification and examination similar to GATT Article XXIV. But the examination process involves a positive determination of consistency or inconsistency of GATS rules although there is no specific prohibition (as there is in GATT) on maintaining an agreement if recommendation are not followed. No examinations have yet been completed under GATS Article V, and it is therefore too soon to assess how effective this process is likely to be. For its part the Community should seek to ensure that a tough, but workable interpretation is developed which, while setting reasonably high standards for the approval of agreements, will nonetheless be attainable.

The fact that a number of our trading partners are themselves likely to put preferential agreements in place is a cause for concern, given the uncertainties identified in respect of Article XXIV. High MFN rates in more advanced developing countries are a market access problem in themselves, and are compounded when high rates are accompanied by slightly less high applied rates which can then be increased without negotiation and with no compensation for European exporters who lose market access as a result. Our experience with NAFTA also demonstrates that these problems are far outweighed by loss of market share resulting from trade diversion, where free trade areas are formed between countries where one or more of the partners has comparatively high duties on imports from the EU, but zero duties on trade within the FTA. This is possible because Article XXIV rules on free trade agreements are significantly less onerous than those which apply to customs unions.

The most significant weakness in the rules on free trade agreements is that the obligation not to raise new barriers is related to rates of duty and other restrictions "applicable" at the formation of the area, rather than those "applied" (in the case of customs unions, the WTO Understanding on the Interpretation of Article XXIV states that applied rates shall be used). The difference in terminology can be significant: where the party entering into the agreement has bound rates significantly higher than

the rates it actually applies, the "applicable" rate is that which is capable of being applied, i.e. the bound rate, and not the applied rate. This can leave scope for a country to increase its applied import rates after entering into the free trade agreement without having to pay compensation: parties forming a customs union do not have this option.

For the EU, the difference is significant: successive EU enlargements (and the customs union with Turkey) have been governed by the rules applied to customs unions; in addition, the EU tariff is entirely bound at generally very low rates. The alignment of existing rules for FTAs on these stricter current rules for customs unions would help to reduce the scale of the problem of trade distortion - the relative loss of access by EU exporters. Stronger rules on FTAs on these lines would provide further downward pressure on bound tariff rates in the more advanced developing countries, and would make the multilateral route to tariff reduction more attractive. There is therefore a real EU interest in clarifying in this sense the rules governing changes in tariff rates following conclusion of free trade agreements.

For developing countries, such changes might be an obstacle to concluding FTAs, although WTO Balance of Payments rules, and safeguard clauses, would continue to allow increases in import duty in certain circumstances.

What effect could these changes have on EU agreements? For the EU's own free trade agreements, it is worth noting that almost all of the agreements with countries in Central and Eastern Europe are intended to be a step towards EU accession. On accession these countries would adopt the common external tariff, ending any scope to raise their MFN tariffs. In practice, many of these countries are negotiating accession to the WTO and are likely to do so on terms in respect of their industrial tariffs which will be similar to the common external tariff in any case. The other significant group of agreements where the EU is involved are those with the Mediterranean Partners; here, other factors may mean the partner countries are unlikely to increase their MFN rates. Algeria, Jordan and Lebanon are all now in the process of negotiation for WTO accession, where they will all face pressure from other parties to enter into comprehensive bindings at relatively low levels. In the case of Egypt and Jordan, there is an agreement with the IMF and World Bank to reduce MFN tariff rates.

It is also worth recalling that the EU encourages developing countries to use regional integration as part of their economic development process. Many of the agreements which result are notified under the "enabling clause", agreed as part of the Tokyo Round in 1979 to enable special and differential treatment (and more lenient application of GATT rules) to be applied to developing countries. This objective remains important for the EU. Ideally, it should be possible to provide for clearer, stronger rules in respect of FTA's and other regional integration agreements affecting developed and more advanced "developing" countries (many of whom have per capita GDP equivalent to EU Member States), while at the same time providing for a genuinely more relaxed regime applicable to developing countries.

The problem with this approach is that at present the status of "developing country" is decided on the basis of self-selection, with many middle and even upper-income countries seeking to enjoy the benefits of the enabling clause. A longer term solution to this problem would involve tackling in the WTO the question of "graduation" (i.e. the distinction between developed and developing countries), so that more lenient rules are clearly applied only to countries who need them. This is a politically difficult issue, which goes much wider than regional integration and would significantly complicate the task of clarifying existing WTO rules on regional integration.

- **Assessment**

What does this analysis mean for the EU's wider interests, both in terms of market access and in terms of its own agreements? Several points emerge from the analysis set out above:-

(a) The debate is focused on traditional questions of trade in goods and regional liberalisation covering trade in goods. From the EU's perspective it is important not to overlook the GATS dimension of regional integration;

(b) The backlog of unexamined agreements in the WTO CRTA remains a practical obstacle to any consideration of systemic issues or reform;

(c) There are indications that the operation of GATT Article XXIV (already marked by uncertainty) is coming under more strain than before. There are long-standing concerns about the difficulty of interpreting elements of GATT Article XXIV, including the definition of "substantially all trade", the definition of a major sector and related questions of coverage in terms of non-traded goods;

(d) The EU's interest in providing security for its own agreements remains strong. But it is important to consider the extent to which third parties are likely to avail themselves of Article XXIV in future;

(e) Clarifying the uncertain elements of Article XXIV would help meet the EU's offensive and defensive interests: most EU agreements are likely to meet any reasonable definition of a free trade area or customs union while the EU's trading partners would be obliged to follow similar rules in their own preferential agreements. This would help preserve the EU's market access interests. Separate developmental problems are likely to remain until the wider question of LDC graduation is tackled;

(f) Working to ensure that a strict, but attainable interpretation of Article V of GATS is developed would help meet the EU's offensive and defensive interests. In most instances the EU's preferential agreements covering trade in services are far-reaching in that they also cover other elements of a trade policy, such as harmonisation and competition policy, in seeking liberalisation

and therefore the EU should have an offensive interest in securing a strict interpretation of Article V.

IV. The situation of EU Agreements

The second significant set of questions in the debate on regional integration has been the debate within the EU on the EU's own preferential agreements. Table 2 shows existing reciprocal preferential agreements, organised by type of agreement, showing the relevant dates and WTO status. The EU's existing universe of preferential arrangements and agreements falls into three broad groups (with individual exceptions). These include non-reciprocal measures and agreements, and two broad groups of preferential, reciprocal agreements. These are all briefly described below.

- Non-reciprocal arrangements: Lomé

As part of its strategy to assist developing countries, the EU gives extensive preferential access to its own market on a non-reciprocal basis through the trade provisions of the Lomé Convention. Within these arrangements, the Community offers duty-free access for industrial products and a range of increasingly liberal access opportunities for agricultural products from ACP countries.

In addition the EU offers non-reciprocal preferential market access to countries in the Former Yugoslavia, under a complex autonomous regime which is intended to replicate the concessions offered to the Former Yugoslavia under the agreement between the EC and Yugoslavia which ended in 1991.

The Lomé Convention is now covered by a GATT and WTO waiver (although the EU continues to consider that it is covered by the provisions of Article XXIV in light of part IV of the GATT). The EU has said that it will seek a similar waiver for the non-reciprocal concessions for Ex-Yugoslav States and Albania.

- Preferential Agreements with European partners

The second category is the range of recent preferential agreements the EU has concluded in recent years with its European partners. Three of these are the partners in the European Economic Area Agreement (1992). Other agreements are with the 10 Central and Eastern European countries who are considered to be possible candidates for accession to the EU (reflected in so-called "Europe" Agreements). These agreements are characterised by a commitment to reciprocal industrial free trade over a short transitional period. Secondly, while agricultural trade is covered by the agreements, the extent and pace of liberalisation is slower, often more restrictive and often accompanied by non-tariff controls. Finally, all of these agreements include provisions for preferential arrangements covering trade in services.

There are also long-standing FTAs with EFTA partners and Switzerland. In WTO terms these older agreements do not show the same level of conformity with WTO rules as the EU's more recent agreements.

- **Agreements with Mediterranean partners**

The third category of agreement is with partner countries in the Mediterranean area. The first generation of these agreements date from 1976 - 1977 and are in most cases being replaced by so-called "new-generation" Mediterranean Agreements. These newer agreements have been concluded with Tunisia and Morocco (but have yet to enter into force) and are under negotiation with Lebanon, Egypt, Jordan and later Algeria. A 1975 Agreement with Israel was "modernised" in 1995.

These agreements are a significant improvement in WTO terms in comparison to the former agreements with Mediterranean partners. In particular, there is an objective of establishing free trade areas. This involves reciprocal liberalisation on industrial products and gradual, reciprocal liberalisation in agricultural and fisheries products.

- **Other preferential agreements**

As well as these three classes of preferential agreement or arrangement, the EU has for example particular preferential agreements in place or in prospect with Turkey, Palestine, the GCC and South Africa. The customs union agreement with Turkey is in place; proposed free trade agreements with the Palestinian Authority, South Africa and the GCC are subject to Council Negotiating Directives.

The place of Agricultural Trade in Free Trade Agreements

Agriculture is included in most of our existing free trade agreements. Sectoral exclusion is not a feature of any recent agreement but total liberalisation of agriculture has never been possible because of the need, which has been explicitly recognised in some negotiating mandates and implicit in them all, to avoid conflict with the common agricultural policy. The problem of conflict with the common agricultural policy would be most acute if unrestricted free access were to be granted under a free trade agreement for products where the CAP provides for limits on production, high level of external protection and high support prices. The Commission has, however, made clear in its alternative strategy paper (COM(95) 607) that the CAP will need to develop further in the direction set in the 1992 reform, which implies lower support price and more use of direct aids. As this strategy is developed and applied, the risk of conflict between free trade Agreements and the CAP will diminish.

- **Assessment**

A number of general conclusions arise from consideration of the EU's existing preferential agreements and arrangements. The first is that all of these arrangements involve a thorough-going commitment to free trade in industrial products, at least so far as the Community's own import regime is concerned. On agricultural goods, the EU's recent agreements are characterised by careful liberalisation within the coverage of the agreements concerned.

It is important to put this in context: GATT Article XXIV has never envisaged that a free trade area or customs union would require entirely free trade in all products between the participating members. It envisaged that the general tests in Article XXIV would be met and that substantially all the trade would be liberalised. Nevertheless it remains the case that a more restrictive regime in agriculture remains possible in a manner consistent with Article XXIV provided the sector is itself covered and provided there is real liberalisation within that sector over the transitional period.

V. **Other WTO issues : non-members and dispute settlement**

The EU has a number of reciprocal preferential agreements with countries which are not yet members of the WTO. It is possible to argue that this requires a waiver under GATT Article XXIV.10. But GATT jurisprudence on this point is not clear and there is no explicit prohibition on a WTO member entering a free trade agreement or customs union with a non-member. In practice, what will count in any particular case will be the views of other WTO members, which are likely to reflect the size and economic significance of the country concerned rather than any particular view of the rules. In general, waivers and derogations are an exceptional step.

There is also the question whether EU agreements face a risk of challenge within the WTO Dispute Settlement System and (if they were successfully challenged) what the consequences would be for the agreement in question. For free trade areas and customs unions, the absence of a positive opinion "in favour" of the conformity of WTO rules is not significant. The structure of GATT Article XXIV.7(b) is that an agreement, once notified, is to be considered in conformity unless the Contracting Parties (acting collectively) decide it is not. Preferential agreements covering trade in services face a different regime; GATS Article V provides for a positive decision on conformity in every case. GATS rules in this respect have yet to be applied. The EU (a major potential 'user' of preferential services agreements in the context of the Europe Agreements) will have a real interest in ensuring that GATS Article V is applied sensibly and realistically, without becoming so permissive as to allow other WTO members to derogate excessively from core GATS obligations.

The new WTO Dispute Settlement System involves a binding process which may lead to both unwelcome and unavoidable results. In the circumstances of a successful challenge,the Community may have to act in order to ensure compliance with its international obligations. If no waiver from WTO obligations could be obtained (as was the case with the Lomé Convention), this may make it necessary to amend the preferential agreement or to withdraw from it. The Community would otherwise face a prospect of having to offer compensation or to accept withdrawal of concessions by the complainants, both of which would be undesirable. There is, however, no obligation to extend to other WTO members any of the provisions of the agreement in question.

VI. Conclusions

The following possible general conclusions emerge from the analysis set out above:-

(a) regional agreements, especially free trade areas and customs unions, are a long-standing feature of the GATT and now the WTO system;

(b) historically, GATT Article XXIV has been marked by persistent difficulties of interpretation. However, until recent years it has worked within the GATT with comparatively few problems, as Article XXIV became an area of political flexibility; but

(c) since 1990 a wider debate on regional integration has emerged reflecting greater political interest in the possibilities of regional integration and in potential problems within the WTO system;

(d) claims that proliferation of regional agreements in itself poses a threat to the multilateral system are both exaggerated and misleading, although there has been an increase in the number of agreements notified to the WTO and their operation therefore does have an increasing impact on world trade;

(e) the EU has a real and growing market access interest in third country markets which could be adversely affected by trade distortions resulting from preferential agreements, whoever the participants may be;

(f) the EU also has an interest in further reinforcing the position of its own agreements in the WTO. There is an unwelcome level of uncertainty in GATT rules which do not mesh well with the binding nature of the Dispute Settlement System. Therefore, while we need to be aware of the need to avoid putting at risk our own free trade agreements, clearer GATT rules would help both the EU's market access interests and its interest in greater certainty for its own agreements;

(g) Ideally, within a clarified Article XXIV framework, the needs of developing countries should be reflected in a properly focused, flexible framework to allow the smooth and gradual integration of developing countries into the multilateral trading system through regional trade agreements among themselves or with developed partners. But this flexibility, of course, would need to be properly graduated according to the level of development so as not to jeopardise the legitimate trade interests of third parties;

(h) the EU's own agreements in recent years show a consistent pattern of policy making, including the Europe agreements concluded since 1990 as well as the modernisation of historical links with Mediterranean partners and Turkey;

(i) the EU agreements also fit a consistent pattern in terms of preferences offered to partner countries, with a large measure of liberalisation in respect of industrial products and a rather less liberalised regime in agricultural products (although an improving one).

The Commission's overall conclusion is that the EU has a clear interest in the development of clearer rules. The requirement established by the Council in 1995 that the Commission produce studies on the WTO conformity and impact on common policies for each new preferential agreement proposal provides an added layer of analysis to identify difficulties. Clearer WTO rules would help guarantee conformity with WTO requirements and take an element of subjectivity out of the exercise. None of the foregoing argument replaces the need to assess fully the economic and political merits of individual proposals for FTAs and other agreements. But the conclusions set out above do point to a strategy to make that process clearer and more effective, and to align the EU's defensive interests with its wider market access goals.

10 January, 1997

TABLE 1

List of Regional Agreements Notified to the GATT/WTO and Currently in Force[1]

A. Agreements Notified Under Article XXIV

Agreement (Unofficial title)	Date of Signature
1. EEC and EURATOM EC - Accession of Denmark, Ireland and UK EC - Greece Accession Agreement EEC - Portugal and Spain Accessions EC - Austria, Finland, Sweden Accessions	25.03.57 22.01.72 28.05.79 12.06.85 25.06.94
2. EFTA EFTA/FINEFTA - Iceland Accession	04.01.60 04.12.69
3. Central American Common Market	13.12.60
4. Arab Common Market	06.07.62
5. EEC - Turkey Association Agreement of 1963 EEC - Turkey Additional Protocol EC - Turkey Association Agreement of 1973 EC - Turkey Customs Union	12.09.63 23.11.70 30.06.73 22.12.95
6. EC - Association of certain non-European countries and territories (PTOM II)	29.09.70
7. EC - Malta Association Agreement	05.12.70
8. EC - Switzerland / Liechtenstein Agreements	22.07.72
9. EC - Iceland Agreements	22.07.72
10. EC - Cyprus Association Agreement	19.12.72
11. EC - Norway Agreements	14.05.73
12. CARICOM	04.07.73
13. EEC - Israel Agreement of 1975	11.05.75
14. EEC - Algeria Agreements of 1976	26.04.76
15. EEC - Morocco Agreements	27.04.76
16. EEC - Tunisia Agreements of 1976	25.04.76
17. Australia - Papua New Guinea Agreement (PATCRA)	06.11.76
18. EEC - Egypt Interim Agreement of 1977	18.01.77
19. EEC - Jordan Interim Agreement of 1977	18.01.77
20. EEC - Lebanon Interim Agreement of 1997	03.05.77
21. EEC - Syria Interim Agreement of 1977	18.01.77
22. Australia - New Zealand (ANZCERTA)	28.03.83
23. Israel - United States Free Trade Area Agreement	22.04.85
24. Canada - US Free Trade Agreement (CUSFTA)	02.01.88
25. EC - Faroe Islands Agreement	02.01.91
26. EFTA - Turkey Agreement	10.12.91
27. EC - Hungary Interim Agreement of 1991	16.12.91

[1] According to the information within the WTO Secretariat, the agreements listed in this Annex are still in force.

28. EC - Poland Interim Agreement of 1991	16.12.91
29. EFTA - Czech and Slovak Federal Republic Agreement	20.03.92
30. EFTA - Israel Free Trade Agreement	17.09.92
31. Czech Republic and Slovak Republic Customs Union	29.10.92
32. EFTA - Poland Agreement	10.12.92
33. EFTA - Romania Agreement	10.12.92
34. NAFTA	17.12.92
35. CEFTA	21.12.92
36. Faroe Islands - Iceland Free Trade Agreement	
37. Faroe Islands - Norway Free Trade Agreement	
38. Faroe Islands - Switzerland Free Trade Agreement	
39. EEC - Bulgaria Interim Agreement	08.03.93
40. EFTA - Bulgaria Free Trade Agreement	29.03.93
41. EFTA - Hungary Agreement	29.03.93
42. EC - Czech Rep. Europe Agreement	04.10.93
43. EC - Slovak Rep. Europe Agreement	04.10.93
44. EEC - Romania Interim Agreement	01.02.93
45. EC - Estonia Agreement	18.07.94
46. EC - Latvia Agreement	18.07.94
47. EEC - Slovenia Co-operation Agreement	05.04.93
48. EC - Lithuania Agreement	18.07.94
49. Czech Republic - Romania Free Trade Agreement	24.10.94
50. Slovak Republic - Romania Free Trade Agreement	
51. EFTA - Slovenia Free Trade Agreement	13.06.95
52. EFTA - Estonia Free Trade Agreement	
53. EFTA - Latvia Free Trade Agreement	
54. EFTA - Lithuania Free Trade Agreement	

B. Agreements Notified Under the Enabling Clause

Agreement (Unofficial title)	Date of Signature
1. The Tripartite Agreement (Egypt, India, Yugoslavia)	23.12.67
2.Protocol relating to Trade Negotiations among Developing Countries	08.12.71
3. Bangkok Agreement	31.07.75
4. ASEAN preferential Trading Arrangements Preferential Tariff Scheme for the ASEAN Free trade area (AFTA)	24.02.77 28.01.92
5. South pacific Regional Trade Co-operation Agreement (SPARTECA)	14.01.80
6. Latin American Integration Association, "LAIA"	12.08.80
7. Gulf Co-operation Council	08.06.81
8. GSTP	13.04.88
9. Lao - Thailand Trade Agreement	20.06.91
10. MERCOSUR	26.03.91
11. Preferential Tariffs among members of the Economic Co-operation Organisation	17.02.92
12. Andean Pact	12.05.87
13. South Asian Preferential Trade Arrangement (SAPTA)	11.04.93
14. Common market for Eastern and Southern Africa (COMESA)	05.11.93
15. G3: Columbia, Venezuela and Mexico Free Trade Agreement	

TABLE 2

I. The European Economic Area

	Title of Agreement	Period of Validity	Type of Agreement	WTO Status
ICELAND	European Economic Area	Signed on 2 May 1992. In force since 1 January 1994.	**Extension of the Internal Market** (including a free trade area established by the Free Trade Agreement of 1972).	EEA notified for information on 17/7/92 (no Working Party created) Working Party report on FTAgreement of 1972 adopted on 19/10/73
LIECHTENSTEIN	European Economic Area	Joined EEA 1 May, 1995.	**Extension of the Internal Market** (including a free trade area established by the Free Trade Agreement of 1972)	EEA notified for information on 17/7/92 (no Working Party created) Working Party report on FTAgreement of 1972 adopted on 19/10/73.
NORWAY	European Economic Area	Signed on 2 May 1992. In force since 1 January 1994.	**Extension of the Internal Market** (including a free trade area established by the Free Trade Agreements of 1973)	EEA notified for information on 17/7/92 (no Working Party created) Working Party report on FTAgreement of 1973 adopted on 28/3/74

2. *Customs Union*

	Title of Agreement	Period of Validity	Type of Agreement	WTO Status
TURKEY	Agreement establishing an Association between the European Economic Community and Turkey	Signed on 12 September 1963. Entered into force on 1 December 1963 for an unlimited period.	Provides for the establishment of a **customs union** in three stages. The Agreement includes a reference to the possibility of the accession of Turkey to the Community.	Working Party report adopted 25/3/65
	Decision Relating to a Common Position by the Community in the EC-Turkey Association Council on the implementing of the final phase of the Customs Union.	Entry into force on 31 December 1995.	Establishes the final phase of the **customs union** after the end of the transitional 22 year period foreseen in the Additional Protocol to the Association Agreement.	Notified in December 1995 before the entry into force. Subject to examination by new WTO Committee on Regional Agreements.
CYPRUS	Signed on 19 December 1972. Entered into force on 1 June 1973 for an unlimited period.	Signed on 19 December 1972. Entered into force on 1 June 1973 for an unlimited period.	Provides for the eventual establishment of a **customs union** in two stages.	Working Party report adopted 21/6/74
MALTA	Agreement establishing an Association between the European Economic Community and Malta.	Signed on December 1970. Entered into force on 1 April 1971 for an unlimited period.	Provides for the eventual establishment of a **customs union** in two stages.	Working Party report adopted 29/5/72
ANDORRA	Agreement between the EEC and the Principality of Andorra	Entered into force the 1 January 1991 for an unlimited period.	Provides for the establishment of a **customs union** for industrial goods in two stages.	Has not been notified

SAN MARINO *	Interim Agreement on Trade and Customs Union between the EEC and the Republic of San Marino	Signed on 27 November 1992. Entered into force on 1 December 1992. Valid until the entry into force of the Co-operation and Customs Union Agreement signed on 16 December 1991.	Provides for the establishment of a **customs union.**	Has not been notified

3. Free Trade Agreements

3.1 Free Trade Agreement with Switzerland

	Title of Agreement	Period of Validity	Type of Agreement	WTO Status
SWITZERLAND	Agreement between the EEC and the Swiss Confederation	Signed on 22 July 1972. In force since 1 January 1974 for an unlimited period.	**Free Trade area**	Working Party report adopted 19/10/73

3.2 *Europe Agreements*

	Title of Agreement	Period of Validity	Type of Agreement	WTO Status
HUNGARY	Europe (association) Agreement between the EC and their MS and the Republic of Hungary	Signed on 16 December 1991. Entered into force on 1 February 1994 for an unlimited period	Association agreement providing for **free trade** and a forerunner to possible accession	Interim Agreement notified April 92. First CRTA meeting to examine agreement 18 September 1996
POLAND	Europe (association) Agreement between the EC and their MS and the Republic of Poland	Signed on 16 December 1991. Entered into force on 1 February 1994 for an unlimited period	Association agreement providing for **free trade** and a forerunner to possible accession	Interim Agreement notified April 92. First CRTA meeting to examine agreement 18 September 1996
CZECH REPUBLIC	Europe (association) Agreement between the EC and their MS and the Czech Republic	Signed on 4 October 1993 (held up by the splitting of Czechoslovakia). Entered into force on 1 February 1995 for an unlimited period.	Association agreement providing for **free trade** and a forerunner to possible accession	Interim Agreement notified April 92. First CRTA meeting to examine agreement 18 September 1996
SLOVAKIA REPUBLIC	Europe (association) Agreement between the EC and their MS and the Slovak Republic	Signed on 4 October 1993 (held up by the splitting of Czechoslovakia). Entered into force on 1 February 1995 for an unlimited period.	Association agreement providing for **free trade** and a forerunner to possible accession	Interim Agreement notified April 92. First CRTA meeting to examine agreement 18 September 1996
BULGARIA	Europe (association) Agreement between the EC and their MS and the Republic of Bulgaria	Signed on 8 March 1993. Entered into force on 1 February 1995 for an unlimited period.	Association agreement providing for **free trade** and a forerunner to possible accession	Interim Agreement notified Dec 94. Working Party has not met. Now for CRTA.
ROMANIA	Europe (association) Agreement between the EC and their MS and the Republic of Romania	Signed on 1 February 1993. Entered into force on 1 February 1995 for an unlimited period.	Association agreement providing for **free trade** and a forerunner to possible accession	Interim Agreement notified Dec 94. Working Party has not met. Now for CRTA

Europe Agreement to be ratified

	Title of Agreement	Period of Validity	Type of Agreement	WTO Status
ESTONIA *	Europe Agreement between the EC and their MS and the Republic of Estonia	Signed on 12 June 1995	Association agreement providing for free trade and a forerunner to possible accession	FTAgreement notified June 1995. Working Party has not met
LATVIA *	Europe Agreement between the EC and their MS and the Republic of Latvia	Signed on 12 June 1995	Association agreement providing for free trade and a forerunner to possible accession	FTAgreement notified June 1995. Working Party has not met
LITHUANIA *	Europe Agreement between the EC and their MS and the Republic of Lithuania	Signed on 12 June 1995	Association agreement providing for free trade and a forerunner to possible accession	FTAgreement notified June 1995. Working Party has not met
SLOVENIA	Europe Agreement between the EC and their MS and the Republic of Slovenia	Signed on 10 June 1996	Association agreement providing for free trade and a forerunner to possible accession	Not yet notified

3.3 *New Generation of Mediterranean Agreements*

The final goal of Euro-Mediterranean co-operation is to establish a Euro-Mediterranean Free Trade Area by the year 2010 (including free trade between all the parties with whom the Community has signed/ will sign an Agreement).

	Title of Agreement	Period of Validity	Type of Agreement	WTO Status
TUNISIA	Euro-Mediterranean Agreement establishing an association between the EC and their MS and the Republic of Tunisia	Signed on 17 July 1995.	Association agreement providing for **free trade**	Not yet notified
		Currently party to Co-operation Agreement with the EEC, including **preferential non-reciprocal access to the EC market.** Signed 25 April 1976		Working Party report on the Co-operation Agreement of 1976 adopted 11/11/77
ISRAEL	Euro-Mediterranean Agreement establishing an association between the EC and their MS and the State of Israel	Signed on 20 November 1995	Association agreement providing for **free trade**	Not yet notified
		Currently party to Co-operation and **Free Trade** Agreement with the EEC. Signed 11 May 1975		Working Party report on the Co-operation and Free Trade Agreement of 1975 adopted 15/7/76
MOROCCO	Euro-Mediterranean Agreement establishing an association between the EC and their MS and the Kingdom of Morocco.	Provisional agreement reached on 15 November 1995.	Association agreement providing for **free trade**	Not yet notified
		Currently party to Co-operation Agreement with the EEC, including **preferential non-reciprocal access to the EC market.** Signed 27 April 1976.		Working Party report on the Co-operation Agreement of 1976 adopted 11/11/77

New Generation Mediterranean Agreements in Negotiation

	Title of Proposed Agreement	State of Negotiations	Type of Agreement envisaged	WTO Status
EGYPT	Euro-Mediterranean Agreement establishing an association between the EC and their MS and the Arab Republic of Egypt	Negotiations for new generation agreements in progress.	Association agreement providing for **free trade**	
		Currently party to Co-operation Agreement with the EEC, including **preferential non-reciprocal access to the EC market.** Signed 18 January 1977		Working Party report on the Co-operation Agreement of 1977 adopted 17/5/78
JORDAN *	Euro-Mediterranean Agreement establishing an association between the EC and their MS and the Hashemite Kingdom of Jordan.	Negotiations for new generation agreements in progress.	Association agreement providing for **free trade**	
		Currently party to Co-operation Agreement with the EEC, including **preferential non-reciprocal access to the EC market.** Signed 18 January 1977.		Working Party report on the Co-operation Agreement of 1977 adopted 17/5/78
LEBANON *	Euro-Mediterranean Agreement establishing an association between the EC and their MS and the Lebanese Republic	Negotiations for new generation agreements in progress.	Association agreement providing for **free trade**	

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		Currently party to Co-operation Agreement with the EEC, including **preferential non-reciprocal access to the EC market.** Signed 18 January 1977.		Working Party report on the Co-operation Agreement of 1977 adopted 17/5/78

3.4 *Free Trade Agreement with the Gulf Co-operation Council in Negotiation*

	Title of Proposed Agreement	State of Negotiations	Type of Agreement envisaged	WTO Status
GULF CO-OPERATION COUNCIL Bahrain Kuwait Oman * UAE Saudi Arabia *	Co-operation Agreement between the EEC and the countries parties to the Charter of the Co-operation Council for the Arab States of the Gulf	Signed on 15 June 1988, for an unlimited period. Entered into force on 1 January 1990. Council negotiating directives for a FTA were issued in 1991, but negotiations have not progressed since. According to the Commission Communication of 22 November 1995, the Commission seeks to identify with its GCC counterparts the obstacles to progress in the FTA negotiations with a view to relaunching the negotiations.	Agreement providing for co-operation in an number economic sectors. Dialogue has been resumed on a much broader basis, examining the **possibility of developing a free-trade agreement with the GCC** (GCC customs union required before the signature of the FTAgreement with the EC)	No notification required at this stage

3.5 *Negotiating Directives for Free Trade Agreements in discussion in the Council*

	Title of Proposed Agreement	State of negotiations	State of Agreement envisaged	WTO Status
South Africa	Agreement for Trade and Co-operation	Negotiating Directives agreed by the Council.	The proposed Agreement would establish a **free trade area**	Will have to be notified upon conclusion of the FTA negotiations
Mexico	Economic Partnership and Political Concertation Agreement	Negotiating directives agreed by the Council on 25 June 1996.	The proposed Agreement would cover economic, commercial and other co-operation and political concertation. The objective is to gradually "**establish a framework** to encourage the development of trade in goods, services and investment, inter alia through **bilateral progressive and reciprocal liberalisation** of trade in goods, on a basis and timetable to be agreed by a new joint Council." On trade, the mandate is to create a Joint Committee responsible for deciding the timetable and modalities for the bilateral, reciprocal and progressive reduction of tariff and non-tariff barriers to trade, in accordance with the relevant WTO rules and taking account of the sensitivity of certain products.	Would have to be notified upon conclusion if an FTA resulted negotiations.

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4. Preferential, Non-Reciprocal Liberalisation Agreements

4.1 Lomé Convention

	Title of Agreement	Period of Validity	Type of Agreement	WTO Status
ACP COUNTRIES	Fourth ACP-EC Convention	Signed on 15 December 1989. Entered into force on 1 March 1990 for a 10 year period.	A **preferential, non-reciprocal agreement** covering trade in goods, establishment and operation of companies, current payments and capital movements. It mentions the long-term aim of a progressive liberalisation of trade in services.	Working Party report adopted 4/10/94 A GATT **waiver** has been granted by the Contracting Parties in December 1994, now extended to 2000, when the Convention expires.

4.2. Mediterranean Agreements of the old Generation (in addition to the Mediterranean Agreements of the old Generation listed under 3.2)

	Title of Agreement	Period of Validity	Type of Agreement	WTO Status
ALGERIA *	Co-operation Agreement between the EEC and the People's Democratic Republic of Algeria	Signed 26 April 1976. Entered into force on 1 November 1978.	Co-operation Agreement, including **preferential non-reciprocal access to the EC market.**	Working Party report adopted on 11/11/77
SYRIA *	Co-operation Agreement between the EEC and the Syrian Arab Republic	Signed 18 January 1977. Entered into force on 1 November 1978	Co-operation Agreement, including **preferential non-reciprocal access to the EC market.**	Working Party report adopted on 17/5/78

4.3 Agreements envisaged with the countries of the former Yugoslavia

	Title of Proposed Agreement	State of Negotiations	Type of Agreement envisaged	WTO Status
CROATIA	Co-operation Agreement	Negotiations have been suspended since 4 August 1995 for political reasons.	**Preferential non-reciprocal access to the EC market**	Waiver to be needed.
FYROM *	Co-operation Agreement	Agreement initialled on 20 June, 1996	**Preferential non-reciprocal access to the EC market**	Waiver to be needed.

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* Not a member of WTO

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