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# Passivity or Support? The European Free Trade Association (EFTA), Eastern Europe and the End of the Cold War

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## Abstract

This article examines the path which led the member states of the European Free Trade Association (EFTA) to support and assist in the democratic revolutions of 1989/90. Historians have increasingly acknowledged the role played by the European Community (EC) in helping countries unshackle themselves from Soviet control. By contrast, EFTA is barely featured. And yet by 1995, the Association had signed free trade agreements with nine former socialist countries, something openly acknowledged as being designed to promote democracy, human rights and political stability in the region. Utilising underexplored institutional archives, this article traces the internal deliberations surrounding the upheaval of 1989. It first exposes the deep divide that existed over whether to develop an EFTA 'voice' or contribution to unfolding events. It then unpacks the reasons why its members accepted that the ostensibly political task of helping Central and Eastern Europe was a legitimate action for an economic organisation like EFTA to undertake. Here the article points to the following: (1) the genuine concern for the fate of the socialist countries, but more so (2) the belief that doing nothing would expose EFTA states themselves to considerable political and financial risks. Lastly, it posits why the EFTA contribution, whilst in some ways ground-breaking for the organisation, ultimately proved slight. Along the way, the article highlights the importance of various interpretations of neutrality to political outcomes, the ever-increasing impact the EC/EU had on other European organisations, how the uncertainty thrown up by '1989' affected smaller West European countries and how all this fed into adapting EFTA's original aims and objectives.

## Keywords

Central and Eastern Europe, Cold War, EFTA, European integration, international organisations, neutrality

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The European Community (EC) is widely regarded as having played a major, even primary, role in assisting the democratic transitions of Central and Eastern Europe (CEE).<sup>1</sup> Institutionally, however, it was not the only one. The Organisation for Security and Cooperation in Europe (OSCE), the Council of Europe and the Organisation for European Cooperation and Development (OECD), all somehow responded to the upheavals of 1989–91.<sup>2</sup> Seldom included in this list, by contrast, is the European Free Trade Association (EFTA). In part this is because the Cold War endgame happened to coincide with a parallel but completely unconnected alteration in EFTA's own workings and international position. After all, it was only 9 months before the fall of the Berlin Wall in November 1989 that European Commission President Jacques Delors announced plans for a 'more structured partnership' between the Association and Community via a new 'space' or 'area', something that promised the former's then cohort – Austria, Finland, Iceland, Norway, Sweden and Switzerland – the wide-ranging access to the latter's planned internal market it had long desired. Negotiating what would become the European Economic Area (EEA) thus appeared to take up the lion's share of EFTA's attention in this period.<sup>3</sup> Such focus was then arguably only diverted by the altogether more consequential prospect that, freed from Cold War constraints, most EFTA states (especially neutral Austria, Finland, Sweden and Switzerland) quickly came to see the EEA not as an end in itself but as a stepping-stone towards joining the EC proper. In this reading of events, the end of the Cold War was less a process requiring a collective response from EFTA than an opportunity, not unlike that available to CEE countries, to reappraise their bilateral relations with the EC.<sup>4</sup>

In part, too, the inclination to overlook EFTA derives from the idea that there was no real means for it to support Central and Eastern Europe even if it had wanted to. For EFTA was a purely economic free trade grouping, governed by intergovernmental unanimity rules and concerned chiefly with eradicating trade barriers within its own ranks. It therefore lacked a common foreign policy and strong supranational institutions like the European Commission tasked with driving forward an agenda centred on overtly political questions such as the fall of communism.<sup>5</sup> In the words of Iver Neumann, EFTA's efforts to support the democratic transitions underway by 1989 are thus best summed up in one word: 'passivity'.<sup>6</sup>

1. A. Romano, 'The EC and the Socialist World: The Ascent of a Key Player in Cold War Europe', in: U. Krotz et al. (eds.), *Europe's Cold War Relations: The EC Towards a Global Role*, London 2020, 15–29; J. Pinder, *The European Community and Eastern Europe*, London 1991; K. Smith, *The Making of EU Foreign Policy: The Case of Eastern Europe*, Basingstoke 2004. More dismissive is P. van Ham, *The EEC, Eastern Europe and European Unity*, London 1993.
2. K. Schumann, 'The Role of Present Co-Operation Structures in the Process of European Integration', in: *Helsinki Monitor* 2–3 (1991), 12–21; E. Hakala, 'Environmental Security for the Promotion of Pan-European Integration: The OSCE as a 'Europeanising Actor' in the Balkans', in: M. Broad / S. Kansikas (eds.), *European Integration Beyond Brussels: Unity in East and West Europe since 1945*, London 2020, 93–114; R. Woodward, 'Putting the 'D' into the OECD. The DAC in the Cold War Years', in: G. Bracho (ed.), *Origins, Evolution and Future of Global Development Cooperation*, Bonn 2021, 272–289.
3. S. Gstöhl, 'EFTA and the European Economic Area or the Politics of Frustration', in: *Cooperation and Conflict* 29 (1994), 333–366; L. Rye, 'Slow Train Coming: EFTA's Quest for Free Trade in Western Europe', in: *EFTA Bulletin* (2015), 4–17.
4. P. Luif, *On the Road to Brussels: The Political Dimension of Austria's, Finland's and Sweden's Accession to the European Union*, Vienna 1995.
5. For a comparison of EC/EFTA, see W. Kaiser, 'Culturally Embedded and Path-Dependent: Peripheral Alternatives to ECSC/EEC "Core Europe" since 1945', in: *Journal of European Integration History* 7 (2001), 11–36.
6. I. B. Neumann, 'EFTA: The Problems of an All-European Role', in: *Journal of Common Market Studies* 28 (1990), 359–377, 370.

As persuasive an interpretation as this is, there is equal cause to suspect that the EFTA states might together have been more consequential than sometimes assumed. Theoretically, we already know that trade organisations can end up promoting stability in their local neighbourhood.<sup>7</sup> EFTA seems especially liable to this charge. Amidst some flux over what the post-Cold War European institutional architecture would look like, for instance, there was speculation over whether EFTA's apolitical structure would make it, as opposed to the EC, better suited to easing the reforming countries of CEE into the Western market system.<sup>8</sup> This matters because we also know from subsequent academic literature that whilst EC membership swiftly became the stated goal of many of these countries as part of their 'return to Europe', there was initially little appetite from within the Community to enlarge before it had first established a full internal market by 1992. With this reluctance to 'widen' before completing moves to 'deepen', it is not difficult to see how EFTA, either alone or via the embryonic EEA, might have been destined as a model for integrating Central and Eastern Europe into the West.<sup>9</sup>

This point becomes still more relevant given that several Eastern bloc states are known to have wanted closer links with EFTA as part of their broader opening to the West. No better public example of this exists than the comments made in Soviet leader Mikhail Gorbachev's July 1989 speech to the Council of Europe, where EFTA was name-checked twice and described as an important 'channel of multilateral co-operation [...] in the construction of a new Europe'.<sup>10</sup> Finally, the pull of these external stimuli was likely to have been joined by the push of at least two internal factors. One is that EFTA members Norway, Finland and Austria were each frontier states sharing borders with the Eastern bloc. The other is the importance of EFTA in the economy of Central and Eastern Europe, with external trade between them often second in importance only to the EC and far ahead of trade with Japan and North America.<sup>11</sup> In both instances, it is difficult to imagine that there was complete silence within or inaction by the Association.

The central task of this article, then, is to consider whether EFTA was indeed prone to 'passivity' or whether, given the aforementioned reasons, the Association's members came to play a greater part in supporting and encouraging the liberalisation process in Central and Eastern Europe than previously acknowledged. Through a detailed examination of EFTA's own archival materials, what should emerge is an answer of greater complexity than current academic treatment allows. For beneath an apparent refusal to countenance any EFTA-level meddling, there lay a profound internal disagreement over whether to view the events of 1989 through an economic or geopolitical lens. Whilst this dichotomy would colour deliberations throughout the years under review and indeed led at first to the apathy that Neumann described, it was, as we shall see, also soon recognised that a policy of non-involvement could not hold indefinitely. The article will hence ask why

7. Y. Z. Haftel, *Regional Economic Institutions and Conflict Mitigation*, Ann Arbor, MI 2012.
8. W. J. Kostrzewa / H. Schmieding, 'The EFTA Option for Eastern Europe', in: *Kiel Working Papers* 397 (1989); P. G. Nell, 'EFTA in the 1990s: The Search for a New Identity', in: *Journal of Common Market Studies* 28 (1990), 327–358.
9. See European Commission, MEMO/88/66, 'Community Relations with EFTA Countries and with Mediterranean Non-Member States', 2 May 1988, available at [ec.europa.eu/commission/presscorner/detail/en/memo\\_88\\_66](http://ec.europa.eu/commission/presscorner/detail/en/memo_88_66). See also L. Rye, 'Integration from the Outside: The EC and EFTA from 1960 to the 1995 Enlargement', in: H. A. Ikonomou / A. Andry / R. Byberg (eds.), *European Enlargement across Rounds and Beyond Borders*, London 2017; R. Schwok, 'The European Free Trade Association: Revival or Collapse?', in: J. Redmond (ed.), *The External Relations of the European Community*, London 1992.
10. Address by Gorbachev, 6 July 1989, available at <https://nsarchive.gwu.edu/sites/default/files/documents/rd4699-tmpgl/1989.07.06-Address-by-Mikhail-Gorbachev-to-the-Council-of-Europe-in-Strasbourg.pdf>.
11. P. Baragiola, *The Future Economic Area*, Brussels 1991, 123–124.

member states began to move towards a position whereby they accepted that helping the CEE countries to integrate into the world economy was a legitimate action for an organisation like EFTA to take.

It is this last point which speaks to more general discussions about the death and survival of international organisations (IOs) such as the EFTA. As the introduction to this special issue makes clear, it is not unusual for IOs to encounter crises and succumb to the injuries such upheavals inflict. Even if their institutional infrastructure never entirely disappears, they can become ‘zombies’, retaining only a veneer of operation whilst ceasing to function in practice.<sup>12</sup> This matters because it was entirely possible for EFTA to have gone the same way. For one, its central founding purpose of forging a trade bloc with the EC had effectively been realised by the 1970s thanks to the British and Danish decision to join the EC (alongside non-EFTA Ireland) and the ensuing negotiation, by remaining EFTA members, of bilateral free trade agreements with Brussels.<sup>13</sup> This, combined with the fact (unpacked in more detail immediately below) that member states were for a long time reluctant to cooperate in areas beyond the organisation’s strict economic remit, seemed to imply that there was not much left for the Association to do. The post-Cold War rush by member states to finally abandon the organisation in order to take up a place in an enlarged European Union could in this regard easily be interpreted as merely the latest sign of EFTA’s redundancy.

Rather than hobbling towards death or languishing unused, however, what should emerge from the analysis below is that EFTA’s story was actually one of adaptation. This is usually taken to mean policy or decision-making innovation for the sake of relevance – often to guard against or appeal to members who question its value and continued utility. In this case, adaptation came because of the fast-changing international environment and the common challenges this posed for the Association’s members. These, as we shall see, provoked a gradual broadening of EFTA’s economic remit beyond mere questions of internal trade liberalisation, to one that put greater emphasis on the political economy of trade.<sup>14</sup> But if the article traces this change in purpose and the reasons behind it and as a result suggests that EFTA deserves to be more widely known as an actor at the end-stage of the Cold War, the article will also reflect throughout on the struggle surrounding this adaptation to new issue areas and why the value of EFTA’s contribution still only proved slight. This is hence a story not only of institutional innovation during the upheaval surrounding 1989 but also of inherent limitations.

## I. A history of passivity

In some ways it might seem odd to even speak of EFTA in the context of the Cold War. From its founding in late 1959, there was never any explicit EFTA-level interest in, and certainly no direct political dealings with, the Eastern bloc. The eyes of its seven founder members were instead on reconciling with the nascent European Community, with EFTA fulfilling the role of either a bridge en route to a wider trade bloc that would encompass both institutions or, later, an economic waiting room ahead of joining or associating with the EC. In either instance, EFTA was never

12. J. Gray, ‘Life, Death, or Zombie? The Vitality of International Organizations’, in: *International Studies Quarterly* 62 (2018) 1, 1–13.

13. R. T. Griffiths, ‘EFTA and European Integration 1973–1994: Vindication or Marginalisation?’, in: K. Bryn / G. Einarsson (eds.), *EFTA 1960–2010. Elements of 50 Years of European History*, Geneva 2010, 145–158.

14. On adaptation, G. Hirschmann, ‘International Organizations’ Responses to Member State Contestation’, in: *International Affairs* 97 (2021) 1, 1963–1981; and the article on NATO in this issue.

destined to develop any sort of foreign policy role.<sup>15</sup> This was matched, at least early in its history, by the relative insignificance of EFTA's eastward economic links. The Association's own publications tell a story of total trade with the region as not necessarily trivial (exports in 1961 amounted to 4.2% and imports came in at 3.9%, composed mostly of British, Swedish and especially Austrian exports to the Soviet Union) and yet completely dwarfed not only by intra-EFTA trade (which in the same year accounted for 19.7% of exports and 17.2% of imports) and more so that with the EC (25.3% and 30.4% respectively) but even by trade with Africa (8.8% and 6.5%), Asia (12.1% and 6.5%) and Central and South America (6.3% and 6.5%).<sup>16</sup> The only real significant point relating to socialist countries was therefore whether and how more could be done to improve knowledge of the EFTA economies.<sup>17</sup> From the viewpoint of the Eastern bloc itself, meanwhile, the early EFTA seems hardly to have been a source of much fascination. Certainly, the Association's emergence on Europe's institutional landscape evoked none of the hostility with which the European Community was initially greeted. Whereas the Soviet bloc refused to recognise the new EC institutions as the German-dominated economic arm of the North Atlantic Treaty Organisation (NATO), the response to EFTA was more muted and centred on ensuring that existing duty-free bilateral trade was left undisturbed.<sup>18</sup> Otherwise, there seems to have been limited intention on the part of the Soviet Union or the Council for Mutual Economic Assistance (CMEA) more generally to engage with EFTA.<sup>19</sup>

It is true of course that EFTA was never entirely disconnected from the geopolitical world around it. Even if never framed as such, the Association's members were not averse to extending elements of their own free trade cooperation if this would contribute to the stability and independence of their near neighbours. This was doubtless the case with Finland, whose growing trade dependence on the Eastern bloc formed the backdrop against which it was permitted to join EFTA as an associate member in 1961.<sup>20</sup> Similar thinking also lay behind the decision to establish a working group with socialist but non-aligned Yugoslavia in 1967.<sup>21</sup> It is also true that the general easing of superpower tension from the later 1960s brought new opportunities to develop relations with other state-trading regimes. This was first detectable when a few of the more export-orientated countries (notably Hungary and Czechoslovakia) as well as the Soviets approached EFTA as part of wider efforts to improve their economic ties with the West.<sup>22</sup> The trend then became more noticeable by the mid-1970s as part of the Helsinki process. All members of EFTA were signatories of the Final Act of the Conference on Security and Cooperation in Europe (CSCE), and all four of its

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15. On the emergence of EFTA, see M. Broad / R. T. Griffiths, *Britain, the Division of Western Europe and the Creation of EFTA, 1955–1962*, London 2022; W. Kaiser, 'The Creation, Crisis and Consolidation of the European Free Trade Association, 1958–1972', in: *Journal of European Integration History* 3 (1997), 7–33.
  16. EFTA, *Annual Report*, Geneva 1963, 28; EFTA, *EFTA Trade 1959–1964*, Geneva 1966, 160.
  17. Historical Archives of the European Union (hereafter HAEU), EFTA-23, Annex to EFTA 102/66, 15 December 1966; HAEU, EFTA-792, EFTA/IE 3/68, 12 February 1968.
  18. EFTA Archives, Geneva (hereafter EFTA-Geneva), EFTA Relations with USSR, 'Soviet Reply on Most Favoured Nation Treatment', 15 November 1960; W. Mueller, *The Soviet Union, Austria and Neutrality, 1955–1992*, Vienna 2011, 141–142.
  19. That attitude would change somewhat towards the end of the Cold War. See the article on the CMEA in this issue and the discussion below.
  20. M. Broad, 'Transatlantic Relations and Finland's Application to the European Free Trade Association (EFTA)', in: *Faravid* 48 (2019), 65–87.
  21. M. Broad, 'Deepening Ties but Unfulfilled Hopes: The EFTA Dimension of Western Europe's Relations with Tito's Yugoslavia', in: *International History Review* 44 (2022), 595–612.
  22. HAEU, EFTA-333, EFTA/CJC.SR 38/69, 18 December 1969; EFTA-Geneva, EFTA Relations with USSR, 'Contacts between the EFTA Secretariat and the Counsellor of the Soviet Embassy in Brussels', undated.

neutral members were already playing a crucial coordinating and mediating role as part of that process.<sup>23</sup> Where the Act mattered for EFTA was its economic section, the so-called Basket II provisions. Very quickly, this allowed broader debates about how to forge closer economic bonds across the Iron Curtain to spill over into EFTA-level discussions about what it could do to promote détente. The communiqué which emerged from the EFTA Council in November 1975, for instance, characterised the CSCE as having ‘opened new possibilities for East-West trade and economic relations’.<sup>24</sup> A year later, the national heads of delegation heralded the Final Act and reaffirmed ‘the will of the EFTA countries to contribute to intensified economic cooperation with the East European countries’.<sup>25</sup> And at a summit in Vienna later in May 1977, Hallvard Bakke, the Norwegian minister for trade and shipping, would argue that EFTA should move beyond free trade within its existing ranks to include ‘practical cooperation through mutual recognition schemes and conventions [and] technical regulations’ with socialist countries.<sup>26</sup>

Often, however, these initiatives got nowhere. The course of EFTA-Yugoslavia relations is emblematic of the lack of progress. The working group established back in 1967 did admittedly help spur an immediate growth in cross-border trade, but interest in the whole endeavour soon fizzled out.<sup>27</sup> Nor did post-CSCE efforts to resurrect the working group structure get very far. True, in October 1977 the decision was taken to replace it with a new Joint EFTA-Yugoslav Committee (YJC) with grand hopes of expanding into domains like tourism and transport.<sup>28</sup> And in 1983, the Bergen Declaration affirmed the significance attached by both sides to the YJC, listing, in the process, a range of new areas where they envisaged developing closer ties.<sup>29</sup> Yet reality fell some way short of such objectives. In June 1986, Georg Reisch – then speaking as Austria’s permanent representative to the Council but who less than two years later would become EFTA secretary-general – admitted as much when he claimed that he ‘did not feel that [cooperation] was progressing very well’ and that ‘cooperation with Yugoslavia had to be more than just declarations’.<sup>30</sup> The YJC became at best a talking shop.

The record on EFTA-CMEA cooperation was still less impressive. Again, this is not to say that there was a complete lack of interest. As exemplified by an Austrian proposal drafted in 1977 for EFTA governments to exchange information on energy policy as a first step to wider cooperation, the Association’s members were at times active in seeking ways to work with the Eastern bloc.<sup>31</sup> Come 1980 there was even talk of extending the recently formed YJC structure to other countries in Central and Eastern Europe.<sup>32</sup> But despite the whole rhetoric surrounding détente and the economic opportunities opened up by the CSCE, tangible outcomes were hard to detect.

There were a few key reasons for this. Firstly, for their part, officials in the Secretariat tended to put the blame on third parties. When commenting on the limited progress made within the YJC, Reisch, for example, admonished the Yugoslavs for ‘failing to use the opportunities offered by the EFTA countries’ and their ‘difficulties in following up on statements or proposals’.<sup>33</sup> Whilst

23. See T. Fischer, *Neutral Powers in the CSCE*, Baden-Baden 2009.

24. HAEU, EFTA-340, EFTA/CJC.SR 15/76, 3 June 1976.

25. HAEU, EFTA-525, ‘Proposal for a Summit’ attached to Kleppe to Huslid, 29 June 1983.

26. HAEU, EFTA-525, Informal Secretariat note to Members of Government of EFTA Countries, 13 May 1977.

27. For reasons why, see M. Broad, ‘Deepening Ties’, 604–609.

28. Ibid.

29. Ibid, 608.

30. HAEU, EFTA-511, EFTA/C.SR 8/86, 4–5 June 1986.

31. HAEU, EFTA-525, ‘Vienna Summit - Follow-Up’, 19 July 1977.

32. HAEU, EFTA-1150, Annex to SGO 136/80, 27 June 1980.

33. HAEU, EFTA-511, EFTA/C.SR 8/86, 4–5 June 1986.

there might well have been something to this, such analysis rather absolved the EFTA side of responsibility. One obvious contributing factor in this was the limited scope of an organisation in which foreign economic policymaking remained the purview of national governments. The almost complete absence of initiatives geared towards the Eastern bloc contrasted sharply with, for instance, the far-reaching trade agreements that Finland began to put in place with Hungary and Bulgaria that guaranteed the progressive elimination of customs duties and quotas in their mutual trade.<sup>34</sup> Given this bilateral autonomy, any distinct EFTA contribution seemed superfluous.

Secondly, where EFTA governments did wish to 'multilateralise' East-West links, there were often other frameworks better suited to the task. Indeed, EFTA members tended to promote larger structures like the United Nations Economic Commission for Europe (ECE) and the General Agreement on Tariffs and Trade (GATT) – both of which carried the benefit of being able to work more closely with the governments of the European Community – as the main frameworks for Western Europe's trade encounters with the East.<sup>35</sup> EFTA's role was by contrast confined to that of a clearing house, with gatherings of the Association at whatever level used to make others aware of national stances prior to meetings of those larger institutions, rather than the Association adopting a coordinating role.

That EFTA might take a lead was hampered further by the reluctance of some members to allow a common EFTA 'voice' in dealings with socialist countries. The drawn-out debate following Tito's death in 1980 over whether EFTA should provide Yugoslavia with financial aid provides a good example. That EFTA states might together offer monetary support – the figure of \$100 billion was often discussed – was in itself not a new idea: one of its own members, Portugal, had earlier received the same amount to help grow its economy during its post-1974 democratic transition.<sup>36</sup> For Austria, along with NATO members Iceland and Norway, it was axiomatic that the Association should similarly help Yugoslavia, with which it had formal links and whose political infighting and economic troubles were at the time matched in intensity only by Western nerves that the Soviets could seek to exploit matters for their own gain.<sup>37</sup> Compare this to Switzerland and Sweden, for whom such a public display of support – especially if it echoed the language of the Portuguese fund with its ambitious claims to have supported 'the strengthening of democracy'<sup>38</sup> – tilted the plan from an essentially economic consideration towards one that was overtly political. This, in the reading of their own neutrality (more on which below), was much too activist and controversial a line to take. Cornelio Sommaruga, the Swiss deputy head of delegation, explained the position best when he told the Council that whilst the government in Berne had 'full comprehension' of the 'political reasons for [Yugoslavia's] cooperation with an economic grouping like EFTA', his government 'had already gone as far as warranted by economic realities' and would do no more on an issue which brought EFTA into contact with the sensitive matter of East-West relations.<sup>39</sup> Having delivered what, in effect, was a Swiss veto, all talk of EFTA providing assistance to Belgrade – and of developing third country relations more generally – ended.

34. HAEU, EFTA-338, EFTA/CJC.SR 11/74, 8–9 May 1975.

35. HAEU, EFTA-525, 'Implementation of the Vienna Declaration' attached to Kleppe to Reino, 6 September 1983. On the overlapping roles and parallelism of different IOs, see K. K. Patel, *Project Europe: A History*, Cambridge 2020, 31–32.

36. See M. Broad, 'Democracy Promotion and the European Free Trade Association: Four Case Studies', in: *EFTA Bulletin* (2020), 4–17, 8–11.

37. HAEU, EFTA-344, EFTA/CJC.SR 11/80, 11 June 1980.

38. HAEU, EFTA-323, FSC 1/78, 17 March 1978.

39. HAEU, EFTA-346, EFTA/CJC.SR 10/82, 4 June 1982.



## 2. A changed approach

This position might well have held indefinitely had it not been for a shift in Europe's Cold War status quo caused by the Soviet Union's warming to the Community from the late mid-1980s and the subsequent signing, in June 1988, of the EC-CMEA Joint Declaration.<sup>40</sup> From the EFTA perspective, this general easing in East-West relations was of course to be welcomed. Yet the prospect of a new arrangement between the Community and the Eastern bloc was equally a cause for uncertainty. As Austria's minister of state, Holger Bauer told a gathering of the EFTA Council in December 1986, although the full implications were unclear at that point, it was naive to assume that a changing EC-CMEA nexus 'was not of significance' both 'for individual EFTA countries' and 'for the EFTA countries as a whole and how they might fit into such a development'. The manner of the Community's links with Central and Eastern Europe could, for instance, 'set a precedent for EFTA's relations' with those countries, whilst the potential impact 'on the future of European economic cooperation' more generally was a discussion that 'could not simply be brushed aside'. As a result, Bauer concluded it was wise both for 'each country [...] to evaluate and react within the framework of its autonomous trade and foreign policy' and for EFTA collectively to 'keep a close eye on Community activities vis-à-vis third countries' to see what the Association might itself need to do to contribute to 'the future of European economic cooperation'.<sup>41</sup> Revisiting the issue of third country relations thus appeared very likely.

At least two knock-on effects from the Soviet Union's rapprochement with the Community underscored the urgency of the Association's members forging these links. The first arose because Moscow's newfound pragmatism towards external relations freed up individual Eastern bloc states to start making their own foreign economic arrangements. This had already resulted in Czechoslovakia and Hungary opening talks with the Commission about the contours of a new trade agreement well before the signing of the Joint Declaration.<sup>42</sup> Inevitably, perhaps, this tendency eventually brought EFTA into the frame. In the 3 months prior to the 1988 signing of the Joint Declaration alone, the EFTA Secretariat received visits from representatives of Hungary, the CMEA and the Soviet Union.<sup>43</sup> The trend only accelerated in the months after, with the Hungarians, Soviets and Czechoslovaks all making repeated approaches to the secretary-general and various national delegations to discuss deepening ties.<sup>44</sup> How to manage these approaches would thus need to be ironed out by the Association.

The second impact emerged because closer Soviet-EC ties sparked a fierce debate within Yugoslav government circles over where and how they fitted within Europe's transforming politico-economic environment. This too shone a light on EFTA, since some in Belgrade believed that the tightening of links with EFTA would be useful preparation for eventual membership of the Community.<sup>45</sup> As a result, the Yugoslavs used a meeting of the YJC in Novi Sad at the end of

40. A. Romano, 'The EC', 62. Discussions between the EC and CMEA had taken place as far back as the mid-1970s, see S. Kansikas, 'Acknowledging Economic Realities: The CMEA Policy Change vis-à-vis the European Community, 1970-3', in: *European Review of History* 21 (2014), 311-328.

41. HAEU, EFTA-687, EFTA/C.SR 16/86, 2-3 December 1986.

42. G. Lysén, 'The Joint Declaration by the EEC and the CMEA', in: *Journal of International Law* 14 (1989), 369-390, 370-371.

43. EFTA-Geneva, EFTA 61/89, Secretariat Note, 4 September 1989.

44. Ibid.

45. For more, see D. Lopandić / R. Milikić, 'The Impact of Policy of Non-Alignment on Yugoslavia's Status in Western European Integration', in: D. Lopandić / J. Čavoški (eds.), *The 60<sup>th</sup> Anniversary of the Non-Aligned Movement*, Belgrade 2021, 209-224.

September 1987 to request a full free trade agreement based, because of their economic woes, on non-reciprocity.<sup>46</sup> This too required a great deal of reflection on the part of EFTA members.

In the event, the initial response of the Association was highly revealing. The nature of Yugoslavia's economic plight – high inflation and debt were already accelerating at precisely the moment when real incomes had dropped to a 20-year low<sup>47</sup> – was such that it dominated early discussions. What most clearly emerged from these conversations was how fundamentally divided EFTA states remained over forging closer third country relations. Austria and Norway were most accommodating, with both citing 'political considerations' surrounding Yugoslavia's internal stability as a reason for EFTA to negotiate an FTA.<sup>48</sup> At the opposite extreme stood the Swiss and the Swedes, both of whom expressed fears about too rapid an agreement being made on a non-reciprocal FTA. The problem foreseen was twofold. On the one hand, it was felt that the non-reciprocal arrangement proposed by Belgrade, which if realised would offer Yugoslavia almost unfiltered access to EFTA markets without any commensurate opening for the Association's exporters, was not a particularly fair deal for their industries. On the other hand, there were concerns that the lack of reciprocity meant such a lopsided FTA could not be defended under Article XXIV of GATT, which permitted free trade agreements only when they covered 'substantially all trade'.<sup>49</sup> It was for this reason that Reisch as secretary-general had already proposed a compromise in the form of a waiver defending the lack of reciprocity on the basis of Yugoslavia's exceptional circumstances, telling heads of delegation at a meeting in April 1988 that this was both 'the only legally sound approach' for securing GATT backing for such an asymmetrical FTA and also the swiftest one, since 'the fundamental considerations in the matter were political'. However, this came at precisely the moment that the Swiss (then concerned about global access for their agricultural exports amidst surplus production as well as the consequences of the US/Canada Free Trade Agreement) and the Swedes (who were one of a group of countries already vocally demanding greater liberalisation as part of the Uruguay Round) were looking for stricter rather than loser enforcement of GATT rules. The result was that neither country would accept any formula seen to somehow fudge or undermine GATT arrangements. As Pierre-Louis Girard, the Swiss head of delegation, phrased it, to do otherwise 'constituted an erosion of standards and would consign Article XXIV of the GATT to the wastepaper basket [...] EFTA countries had to remain clean in order to remain credible in the debate'.<sup>50</sup>

This divergence of opinion set the scene for a series of bitter Council meetings throughout 1988. One speech by Alois Mock even saw the Austrian vice-chancellor and foreign minister 'pleading in support of Yugoslavia', which, he argued, had 'played a very important role for maintaining the security in its part of Europe' and 'deserved recognition in the form of assistance in its times of economic difficulties'. Joining him was Asbjørn Eikeland, the Norwegian state secretary for foreign affairs, who told colleagues that he thought it 'wise, not least politically, to meet positively those forces in Yugoslavia which, in a difficult economic situation, were trying to reorient Yugoslavia more in the direction of Western Europe and who looked upon EFTA as a helpful vehicle in that connection'. The challenge for both countries was that the arguments to the contrary were similarly entrenched. Jean-Pascal Delamuraz, the head of the Federal Department of Economic Affairs, could even be found criticising Mock's claims as risking 'European cohesion.

46. EFTA-Geneva, EFTA/INF 4/90, Aide Memoire, 27 February 1990.

47. For more, see E. Žižmond, 'The Collapse of the Yugoslav Economy', in: *Soviet Studies* 44 (1992), 101–112.

48. EFTA-Geneva, HoD Notes, CS 21/86, 14 April 1988.

49. On Article XXIV, see J. H. Mathis, *Regional Trade Agreements in the GATT/WTO*, Cambridge 2002.

50. EFTA-Geneva, HoD Notes, CS 21/86, 14 April 1988.

EFTA was an economic association not dealing with questions of military security and not directly concerned with the geographical position of Yugoslavia'. And Anita Gradin, the Swedish minister for foreign trade, was no more positive: it was, she maintained, 'quite natural that Austria, as a neighbouring country, put special emphasis on relations with Yugoslavia' but 'the relationship with Yugoslavia under the Bergen Declaration [...] had not been exhausted'.<sup>51</sup> In Stockholm's view as in Berne's, forging a new FTA was thus an unnecessary, even excessive, next step.

One reason for this varied response can be found in these comments by Gradin above. Although all EFTA states expressed concern about the economic situation facing the government in Belgrade, it was hard to dispute the fact that there were differing levels of interest in, and enthusiasm for, assisting Yugoslavia. Geography and history go some way to explaining, for instance, the specific interest shown by Austria compared to others, with Mock notable for having long taken a personal interest in Central and Eastern Europe, to the point of developing a strong network of contacts in the region.<sup>52</sup> Few other member states were thus as invested in supporting the Yugoslav cause.

A second has to do with the timing of Yugoslav's request for a non-reciprocal FTA. The whole GATT system of the latter 1980s was in worryingly poor state. An institution with few staff and insubstantial leadership, it was already viewed by some as an increasingly weak actor ill-equipped to uphold norms and resolve misdemeanours. GATT's impotency in offsetting the decade's protectionist tendencies and the slow gestation of the Uruguay Round seemed merely to underscore its limitations.<sup>53</sup> For smaller industrialised countries like Sweden and Switzerland, heavily dependent on international (and in particular extra-European) trade and the rules that governed it, doing anything to further weaken this framework, such as circumventing Article XXIV for the sake of Yugoslavia, was seen as undermining the wider battle against GATT violations and non-compliance.<sup>54</sup> Delamuraz's point that Switzerland felt it 'very important to extend [...] aid and cooperation with Yugoslavia in strict observance of GATT rules and on the basis of a strict GATT philosophy' spoke directly to this.<sup>55</sup> Nor was he alone here; Iceland too, which like the Swedes and the Swiss was much more reliant on extra-European trade than Austria or Norway, began to express concern about pushing through an agreement with Yugoslavia, with prime minister Steingrímur Hermannsson announcing that whilst he 'considered it important to open doors to economic cooperation [...] care was needed not to accept commitments which could create difficulties'.<sup>56</sup> Overlooking the reciprocity element thus became much harder as a result.

If these factors go some way to clarifying the opposite stances of Austria and Switzerland – the countries which most clearly headed the rival camps when it came to third country matters – a final, somewhat more speculative reason emerges from Delamuraz's reference above to military and security issues. Both countries, as with Finland and Sweden, were of course neutral. Each, however, had wildly varying interpretations of its meaning. As Thomas Fischer has put it, Austria's was an 'active neutrality' forced on it by Soviet insistence in the 1950s, with a more interventionist 'forward approach' underscoring a 'political responsibility' to secure peace and improve conditions in the CEE countries. Swiss 'permanent neutrality' by contrast was much stricter and

51. HAEU, EFTA-687, EFTA/C.SR 12/88, 14–15 June 1988. See also, EFTA-Geneva, HoD Notes, CS 40/88, 11 July 1988; HAEU, EFTA-687, EFTA/C.SR 21/88, 28–29 November 1988.

52. On Austria, see M. Gehler, *Austria's Long Road from Disintegrated to United Europe 1919–2009*, Vienna 2020.

53. See i.e., C. Hamilton / J. Whalley, 'The GATT System in the 1990s', in: *Journal of Legislation* 17 (1991), 167–191; R. Vernon, 'International Trade Policy in the 1980s: Prospects and Problems', in: *International Studies Quarterly* 26 (1982), 483–510.

54. See EFTA, *Annual Report*, Geneva 1987, 44.

55. HAEU, EFTA-687, EFTA/C.SR 12/88, 14–15 June 1988.

56. Ibid.

subsequently made for a much more reluctant and less visible promotor of détente. For its part, the watchword for Finland's policy – itself termed 'strict neutrality' – was in fact all about balance, with every step taken towards integrating with the West compensated for by developing trade opportunities with the East. And Sweden found itself somewhere between the Swiss and Austrian extremes, its foreign policy guided by 'an almost religious belief [...] in the necessity of neutrality [...] and in the superiority of the Swedish welfare model'.<sup>57</sup> For EFTA, this mattered hugely: whereas the Austrians were far more comfortable in harnessing EFTA's remit to pursue their own *Ostpolitik*, and the Finnish were increasingly content to view the Association as a route to help build bridges between West and East, the Swiss and the Swedes proved reluctant to their economic cooperation becoming entangled with matters of international relations and superpower politics. Both the prospect of an FTA with socialist Yugoslavia and of more formal relations with Eastern bloc members seemed to expose this differentiated thinking perfectly.

Whatever the excuse, there existed a serious and sustained disagreement amongst EFTA governments. As a result, and not without complaint by the Austrians and Norwegians,<sup>58</sup> by November 1988 member states had no option but to reject the Yugoslav request for an FTA.<sup>59</sup> The promise to create a new ad hoc taskforce to examine ways of doing more within current structures on tourism, customs duties and other trade barriers, did admittedly take some of the sting out of the decision. So too did a paper by the Swiss which, having sensed the anger of their counterparts, intimated a willingness to explore anew what it called 'longer-term financial action' to assist in Yugoslavia's economic restructuring, although given Berne's previous sensitivities about a development fund, it demanded 'utmost confidentiality' on the matter.<sup>60</sup> But there could be no doubt that this represented a compromise of the lowest common denominator.

Nor were the implications restricted to Yugoslavia. Back in September 1988, the heads of delegation had acknowledged that the various approaches from the CEE countries and the Soviet Union required a coherent response from the Association.<sup>61</sup> When this finally emerged three months later, it was obvious that the same hesitation that had shaped the response to Yugoslavia also translated into a wider pattern of handling requests. A memorandum issued by ministers of 5 December hence asserted:

it has to be remembered that the EFTA countries, forming a free trade area, do not have a common external trade policy, unlike a customs union such as the European Community. As a consequence, the individual member states of EFTA retain the treaty-making power to conclude trade or cooperation agreement with third countries. In the light of this fact, it might be considered that the most appropriate multilateral forum for discussions amongst EFTA countries and the countries of Eastern Europe is the Economic Commission for Europe (ECE).<sup>62</sup>

Nothing fundamentally appeared to have changed in terms of the passivity that had long marked EFTA's third country stance.

It is all the more remarkable therefore that almost exactly a year later, on 12 December 1989, the EFTA Council should issue a further statement on its relations with the Eastern bloc. In stark contrast, not only did governments now 'warmly welcome the progress of economic and political

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57. T. Fischer, *Neutral Powers*, 29–71, 69.

58. HAEU, EFTA-687, EFTA/C.SR 12/88, 14–15 June 1988.

59. EFTA-Geneva, HoD Notes, CS 62/88, 22 November 1988, and Annex I to EFTA 80/88, 5 December 1988.

60. EFTA-Geneva, HoD Notes, CS 8/89, 19 January 1989.

61. EFTA-Geneva, HoD Notes, CS 47/88, 14 September 1988.

62. EFTA-Geneva, Annex to EFTA/C.SR 22/88, 15 December 1988.

change in Eastern Europe' but this revised statement also announced with determination that '[w]e accept our responsibility to support these reforms'.<sup>63</sup> A more different tone to that adopted 12 months earlier would be hard to imagine.

So why, having resisted any involvement, did its members now deem it appropriate for EFTA to assist the CEE countries? It is possible that the explanation lies solely in the significance of the two dates: when issuing the December 1988 memorandum, few in the West foresaw an abrupt end to the Cold War or fully appreciated the need to support their reform efforts. By the time the full nature of the rapidly changed political landscape was visible at the end of 1989, in comparison, so the responsibility to intervene arguably became more pressing. But this alone does not account for the transformation in thinking whereby member states came to see EFTA itself, as opposed to a body like the ECE, as an appropriate forum through which to organise their relations with CEE states. A more complex range of factors was thus likely involved.

One of these, undoubtedly, was the highly critical response to the December 1988 statement from the Eastern bloc. Officials from the Soviet embassy in Oslo were first out of the blocks, telling the Norwegians that they 'deplored, in clear terms, EFTA's refusal of closer cooperation as conveyed by the language of the aide-memoire'.<sup>64</sup> This was followed by similar claims from the Czechoslovaks ('extremely disappointed'<sup>65</sup>) and Hungarians ('great disappointment', since they 'considered relations with EFTA to be as important as relations with the EC'<sup>66</sup>). The Yugoslavs proved still more incensed. In a meeting with Reisch, the deputy prime minister, Janez Zemljarić, remarked on how 'it is the clear intention of the Yugoslav government to change its system in the direction of a market economy', and that 'it would need a visible encouragement to proceed along this path in spite of the difficult economic situation. EFTA countries should have an interest to demonstrate their support for this process'. Instead, Zemljarić reasoned, 'EFTA has made a step backwards' which would 'weaken the process in Yugoslavia itself: EFTA's decision seems to reflect a certain "reserve" of EFTA governments vis-a-vis [*sic*] Yugoslavia and it represents a certain handicap for the Yugoslav reorganisation process'.<sup>67</sup> So wide-ranging was this reaction that no country could have been completely blind to the need to review EFTA's hands-off stance.

Second was the fact that the 1988 memorandum never really succeeded in its task of curtailing approaches from the East. Quite the opposite, in fact. The unrelenting political change and the search for inward investment in Hungary were the backdrop against which its deputy minister of trade visited the Secretariat on 13 April 1989 to express an interest in building up relations not already covered by the ECE.<sup>68</sup> This was followed a week later by a visit from representatives from the foreign ministry in Prague, who spoke with Berndt Olof Johansson, EFTA's deputy secretary-general, about possible cooperation in technical matters such as testing and certification.<sup>69</sup> And in similar fashion, the next few months saw numerous Soviet, Czechoslovak, Hungarian and Yugoslav officials approach the Secretariat, during which similarly specific requests were made for cooperation or support in areas like commerce, testing of industrial and agricultural machinery and pharmaceuticals.<sup>70</sup> Taken together, this sustained level of interest in EFTA made it even more difficult for member states to sustain the totally dismissive tone of their original statement.

63. EFTA-Geneva, Annex II to EFTA/C.SR 24/89, 12 December 1989.

64. EFTA-Geneva, HoD Notes, CS 8/89, 19 January 1989.

65. Ibid.

66. EFTA-Geneva, HoD Notes, CS 24/89, 17 March 1989.

67. EFTA-Geneva, HoD Notes, Report on Secretary-General Visit, 2 February 1989.

68. EFTA-Geneva, EFTA 61/89, Secretariat Note, 4 September 1989.

69. EFTA-Geneva, EFTA 6/90, Status Report by Secretariat, 26 March 1990.

70. Ibid.

To this external influence, thirdly, was added the internal pressure created by continued debate amongst EFTA members. Unsurprisingly, given the emotion with which figures like Mock had previously stated their case, it was the Austrians who, alongside the Norwegians, proved most vociferous in demanding a new approach. One particularly frosty gathering of heads of delegation in February 1989 provides the starkest example, with Austria's Franz Ceska stating how he personally 'felt increasingly uneasy that the EFTA countries found it difficult to define a non-negative attitude towards certain other countries in Europe at a time when those countries were moving in the direction of liberalisation', that the whole situation was 'pretty inadequate' and that it would 'only become more difficult if political considerations continued to be left out of the question' – the latter being a swipe at the strict Swiss and Swedish interpretation of EFTA as an economic bloc.<sup>71</sup> Nor was it just certain Geneva-based officials who urged a change of position: members of EFTA parliamentary committee that drew together MPs from across member states,<sup>72</sup> and the consultative committee comprising social partners like business groups and trade union representatives,<sup>73</sup> also added criticism. That the reluctance of some member states to engage with the Eastern bloc was being called into question by an ever larger chorus of voices thus made revisiting the memorandum still harder to resist.

Adding to this pressure, finally, was what might be termed the 'EC factor'. There were several elements to this, but to fully grasp them it is necessary to take a brief step back and consider the wider context. As already mentioned in the introduction, January 1989 marked the moment when Delors had invited EFTA states to establish a new European economic 'space', the so-called EES.<sup>74</sup> The story of how by May 1992 the EES had subsequently transmuted into a treaty establishing the EEA lies beyond the scope of this article.<sup>75</sup> What does matter is, firstly, that EFTA states realised shortly after Delors' proclamation they would need to deal with the Community as one coherent group presenting a joint position – in other words, there would be no series of concurrent bilateral negotiations through which individual national concerns and requirements could be voiced.<sup>76</sup> Secondly, some of the divisions this requirement created between member states – for instance, Swiss reluctance to entertain a supranational 'pillar' for EFTA within the EEA, and the inclusion of agriculture and fish in any agreement – soon threatened to exacerbate the already painfully slow progress that followed Delors' January announcement.<sup>77</sup> Indeed, it took until October 1989 to sketch out what such an economic 'space' might actually encompass. And it was not until the following June that negotiations finally got underway. Anything which might further undermine EFTA or further slow progress was therefore to be avoided at all costs.

It is at this point that the history of the EEA and the Association's position vis-à-vis Central and Eastern Europe intersected. For as 1989 continued apace, so there was a burgeoning apprehension amongst EFTA members that momentum towards the EES/EEA would be further imperilled by the EC's decision, confirmed at the Madrid European Council in June 1989, to actively support and

71. EFTA-Geneva, HoD Notes, CS 15/89, 6 February 1989.

72. EFTA-Geneva, Committee of Members of Parliament of the EFTA Countries, EFTA/MP 6/89, and 10/89/GB, 25–26 May 1989.

73. EFTA-Geneva, Consultative Committee 60st-62nd Meetings, CSC/61, 9 June 1989.

74. Address by Delors, 17 January 1989, available at [http://www.cvce.eu/obj/address\\_given\\_by\\_jacques\\_delors\\_to\\_the\\_european\\_parliament\\_17\\_january\\_1989-en-b9c06b95-db97-4774-a700-e8aea5172233.html](http://www.cvce.eu/obj/address_given_by_jacques_delors_to_the_european_parliament_17_january_1989-en-b9c06b95-db97-4774-a700-e8aea5172233.html).

75. See J. Aunessluoma, 'Less than Membership but More than Association: Establishing the European Economic Area, 1989–1993', in: M. Broad / S. Kansikas (eds.), *Beyond Brussels*, 141–168.

76. EFTA-Geneva, Consultative Committee 60st-62nd Meetings, Final Declaration, 15 March 1989.

77. P. Luif, *On the Road*, 152–156; F. Laursen, 'EFTA Countries as Actors in European Integration', in: *International Review of Administrative Sciences* 57 (1991), 543–555.

encourage reforms in the Eastern bloc via trade and cooperation agreements.<sup>78</sup> Claims variously that CEE countries might take ‘too prominent a place’ in Commission thinking, that this ‘might risk a shift of attention away from relations with the EFTA countries’ to the detriment of negotiating the EES and that developments across the Iron Curtain may ‘deflect the Commission’s attention away from EFTA-EC relations’, indeed revealed an Association extraordinarily anxious about being ignored.<sup>79</sup> By contrast, an EFTA more actively engaged with Central and Eastern Europe offered the chance to prove to the world – and in particular Community Brussels – how unified and proactive a grouping it was, a step widely, if somewhat assumptively, reckoned likely to improve EFTA’s standing in the EES negotiations. One head of delegation admitted as much, claiming that ‘with all the central focus and attention given to the EES and the co-operation with the Community [...] it would be good to give EFTA a more visible and distinct external image and policy in a broader context’ and that doing so meant ‘members should try to develop [...] more consistent policies, inter alia towards Yugoslavia (towards which EFTA policy had not been very consistent or constructive), but also in a wider context of economic cooperation [between] East-West’.<sup>80</sup> What was more, if this more positive engagement were to follow alongside or in conjunction with the Community’s actions vis-à-vis the Eastern bloc, then it would bolster the need for the EES to be up and running as quickly as possible, since the Association could promote it as *the* vehicle through which EC and EFTA members, together, could arrange their contacts with socialist Europe.<sup>81</sup> Numerous examples of comments in this vein include that by the Norwegian trade minister Kaci Kullmann Five, who claimed ‘a new dimension had been added to the European political process by the recent developments in Eastern Europe and a strong EES would make the best basis for meeting the challenges resulting from those developments in a constructive way’.<sup>82</sup> An EFTA role in supporting the reform efforts of CEE states hence became closely linked to securing the formation of the EES/EEA.

Shrewder still was the argument that adopting a favourable position could safeguard against the EES failing to launch. The possibility that progress might stall entirely whilst all the time the Community was trying to exploit its deepening trade relationship with CEE countries certainly suggested that, competitively speaking, there was a strong economic case for EFTA to improve its presence in the region. Trade with CEE states already represented, for Austria and Finland, a healthy share of trade, which both hoped to maintain; for others whose total trade with the Eastern bloc was slight, like Sweden (3.2%) and Switzerland (1.3%), there were potential rich pickings from the prising open of Eastern economies.<sup>83</sup> Failure to keep in lockstep with the EC by contrast would, as one Finnish official would later put it, risk ‘discrimination against member countries in important markets’.<sup>84</sup> Yet again, this pointed to EFTA states changing tact.

None of these factors were going to change the debate overnight. A March 1989 statement issued by member states indeed continued to promote use of the ECE.<sup>85</sup> And at a Council later in June the Swedish and the Swiss appeared steadfast in their belief that reform of the Bergen Declaration

78. Presidency Conclusions, 26–27 June 1989, available at [https://www.consilium.europa.eu/media/20589/1989\\_june\\_-\\_madrid\\_eng\\_.pdf](https://www.consilium.europa.eu/media/20589/1989_june_-_madrid_eng_.pdf).

79. EFTA-Geneva, Consultative Committee 60st-62nd Meetings, EFTA/CSC/W 12/89, 10 October 1989; HAEU, EFTA-687, EFTA/C.SR 24/89, 11–12 December 1989.

80. HAEU, EFTA-687, EFTA/C.SR 13/89, 29 June 1989.

81. EFTA-Geneva, HoD Notes, SGO 227/89, 2 November 1989.

82. HAEU, EFTA-687, EFTA/C.SR 24/89, 11–12 December 1989; HAEU, EFTA-687, CS 72/89, 27 October 1989.

83. EFTA, *EFTA Trade 1990*, Geneva 1990, 62.

84. EFTA-Geneva, EFTA/C.SR 14/92, 20–21 May 1992.

85. EFTA-Geneva, Consultative Committee 60st-62nd Meetings, Final Declaration, 14–15 March 1989.

represented a better course of action than negotiating an FTA. On this same occasion Delamuraz in fact came dangerously close to intensifying rather than allaying internal divisions when he proclaimed 'it necessary to remember that the main purpose of the Association was to deal with economic relations between the members and the outside world' and that CEE countries should be treated the same as Turkey, Malta, Cyprus and even the Gulf states and Israel – a thought swiftly rejected by Mock as showing a 'lack [of] a certain degree of realism'. The contrast between Swiss and Swedish discourse on the one hand and Austrian and Norwegian on the other – the latter's foreign minister, Jan Balstad, spoke at the same meeting of how EFTA 'could not act in isolation from developments in Eastern Europe in East-West relations' – thus remained stark.<sup>86</sup>

The beginning of a fundamental shift was nevertheless afoot. A closer inspection of Delamuraz's comments at the June Council reveal as much: amidst his more familiar warnings about EFTA's remit, there now sat an admission that EFTA states 'had to step up their contacts with the countries of Eastern Europe [...which...] shared the same cultural and political heritage and legacies' and that 'they perhaps deserved a better response from EFTA than in the past'.<sup>87</sup> That meeting thus represented a breakthrough of sorts, with ministers sanctioning heads of delegation to prepare a document describing EFTA's third country policy for the first time.<sup>88</sup> And when in mid-September they first met to do so, the working assumption from the off was that this required 'a reformulation of the 1988 aide-memoire as a first step, to make the presentation more palatable'.<sup>89</sup> It was this line of thinking which eventually took shape in the memorandum issued three months later.

### 3. Words into action?

The December 1989 memorandum might well have heralded a shift, but much work was left to be done to realise it. Behind the scenes, a huge amount of effort was thus already underway, designed to solve two crucial questions thrown up by the ministerial change of heart.

First was 'what kind of relationship did EFTA wish to pursue?' Statements issued during the closing months of 1989 indicating that member states wanted to 'support the process towards democratisation and market-oriented economies' were clear when it came to objectives.<sup>90</sup> The assertion by the secretary-general that member states should no longer 'labour under the illusion that the East European question was purely economic as far as they were concerned: there was an intrinsic political element' further implied that EFTA now recognised its role in stabilising the transitions already underway.<sup>91</sup> Yet there was little clarity about the form and substance such efforts would take. Nor was it immediately obvious whether the Association even had the resources – either financial or organisational – to help very much. There was, for instance, no common pot of money from which funds could be drawn. The Secretariat also remained meagrely staffed – by the end of 1989 all work on third country relations was being coordinated by just one full-time officer. Furthermore, the additional officials it could potentially make available were already under a great deal of stress because of preparations for the presumed negotiation of the EES.<sup>92</sup> Complicating matters was the EFTA members' reluctance to allow the Association to be used as a 'bridge' towards, or 'waiting

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86. EFTA-Geneva, EFTA 45/89, 13–14 June 1989, and EFTA/C.SR 2/89, 13–14 June 1989.

87. Ibid.

88. EFTA-Geneva, Annex VI to EFTA 45/89, 13–14 June 1989.

89. EFTA-Geneva, HoD Notes, CS 59/89, 20 September 1989.

90. EFTA-Geneva, HoD Notes, SGO 227/89, 2 November 1989.

91. EFTA-Geneva, HoD Notes, CS 59/89, 20 September 1989.

92. EFTA-Geneva, EFTA 45/90, 5 November 1990.



room' or 'antechamber' for, EC membership. This was for good reason: as Swiss head of delegation William Rossier wryly noted, 'those who formed the bridge would pay the price' – in other words, EFTA would absorb all the start-up costs of helping Central and Eastern European states transition to a market economy, only for the Community to reap the rewards of having them as members and trading with them freely.<sup>93</sup> But if this implied a more wide-ranging and ambitious contribution on a par with that being developed by the EC, reality demanded a more limited involvement.

The second question was 'with whom?'. At first this was treated as little more than an administrative matter of whether to arrange relations with the CMEA as one bloc or each country individually.<sup>94</sup> Beneath this, however, lay the more profound issue of treating every reforming country alike. Not every Eastern bloc member was facing the same domestic conditions and was likely to require, or want, the same thing from the Association. Logically, therefore, it followed that EFTA countries should adopt a differentiated approach to any overtures made towards them. This itself was uncontroversial. But by extension, and with memories still fresh when it came to debates over Yugoslavia and reciprocity, it brought further to the fore the question of whether member states ought to expect their new partners to meet at least some basic criteria in terms of their economic capacity and political stability. To do so however would potentially oblige EFTA to approve something approaching a common external policy setting out clear rules and conditions – economic as well as, potentially, political – to be met before closer external trade links could even be considered a possibility. This was precisely the sort of coordination that some in the Association had long resisted.

Of the two, the latter question proved the easier to resolve. Fairly effortlessly it was decided that differentiation was a 'pragmatic solution', allowing EFTA to direct its attention to those already intent on democratising and already some way down the road to reforming their economies. Viewed from the perspective of early 1990, this converted into deepening existing cooperation with Yugoslavia and centring efforts first on Hungary and then Poland and Czechoslovakia – the three countries deemed 'the most reform-oriented' and where support to help 'move them towards self-determination and economic and social well-being' was deemed most effective.<sup>95</sup> By the same measure, this excluded Bulgaria and Romania, whilst East Germany was reckoned to be 'looking in a different direction' in terms of unification to require input from EFTA.<sup>96</sup> Similarly uncontroversial was the choice of eschewing the CMEA completely, a choice driven in large part by a Hungarian suggestion that it and other CEE states 'would prefer to act individually' so as to prevent their status as emerging independent states being overshadowed by Moscow. Despite the earlier repeated approaches from CMEA officials, there would consequently be no dialogue between the two institutions.<sup>97</sup>

For all the indications of consensus, however, it was difficult to ignore how ad hoc and rushed this decision-making was. Concerns were raised, for instance, about how the sudden emphasis on 'reform-oriented' countries risked leaving the USSR out of the picture.<sup>98</sup> And whilst differentiation promised the flexibility to respond to the specific developments of the country concerned, the lack of a more thought-through policy left unanswered what the Association should do if the Bulgarians – who had

93. EFTA-Geneva, HoD Notes, CS 59/89, 20 September 1989.

94. Ibid.

95. HAEU, EFTA-687, CS 29/90, 3 April 1990.

96. EFTA-Geneva, Items Discussed by Deputies, 2 February 1990.

97. EFTA-Geneva, HoD Notes, CS 59/89, 20 September 1989.

98. EFTA-Geneva, HoD Notes, CS 9/90, 26 January 1989.

already used a meeting with the Secretariat on 21 December 1989 to enquire about EFTA's third country policy – and the Romanians were to press for formal consultations.<sup>99</sup>

Still less clarity existed on the first question. In fact, internal discussions had only served to reveal once more a gulf in the thinking of EFTA members. This first came to light on 23 January 1990, just six weeks after the issuing of the December memorandum, when members of the Secretariat met with Hungarian deputy minister of trade, Tibor Melega, to discuss a text drafted by Budapest outlining its plans for closer cooperation. That EFTA members all hoped to carve out a fresh bond with Hungary and were keen to pass a political declaration to this effect was beyond doubt. The challenge came with the next step. For some – the Hungarians included – this was only the first phase, the intent being that they would quickly evolve into a Yugoslavia-style joint committee before mutating once more into a full-blown free trade arrangement and, perhaps eventually, even associate EFTA membership. Others – notably the Swedes, with backing from the Swiss and Icelanders – by comparison, fell into their familiar pessimistic position, envisaging a much slower process whereby declarations would lay down a looser framework which, whilst offering immediate technical aid, established no clear roadmap to where economic relations might end up.<sup>100</sup> Here, Swedish thinking revealed vestiges of concerns about both EFTA's institutional capacity and whether the economic sacrifices that member states would have to make for an FTA to be worthwhile for the reforming countries might in turn make it impossible to get the approval of GATT or, for that matter, their own domestic business leaders.<sup>101</sup> Explanations for the Swedish position probably mattered less, however, than the appearance yet again of strong fault lines within EFTA.

Efforts by the Swedes to argue their case endured by the time ministers convened to review progress on 3 April. But the risk of being completely outnumbered saw a change of course. All six EFTA governments ended up acknowledging that approaches from CEE countries were evidence of their 'expectations towards EFTA for material assistance as well as support and solidarity' and that only a relationship based around a free trade agreement would be acceptable. Acknowledged, too, by every minister present was the worrying lack of progress on the EES – negotiations for which were still yet to begin – which, for reasons already explained, similarly pointed towards accelerating EFTA's efforts vis-à-vis CEE states. And the rapidity with which the EC's own relations with Europe's emerging democracies were progressing meant, as a Swiss minister put it, that it was finally time to consider whether 'similar agreements could and should be concluded between EFTA' – even if Berne, like Stockholm and Reykjavik, remained concerned about free trade agreements being negotiated 'prematurely'.<sup>102</sup>

Together, this mix of reasons led Sweden and its more sceptical counterparts to qualify their position. Any residual unease about the desirability of closer relations with CEE states was thus eclipsed by a momentum rarely seen in EFTA's handling of the issue. Sufficient support even existed for EFTA states to sign off on a development fund – long mooted but yet to appear – to 'contribute to the development of a market economy in Yugoslavia and to balanced economic progress'. This good will further be translated into the decision to hand Reisch the task of drawing up a paper formalising the steps which the Association's relations with all third countries ought to follow, with the expectation that this would pave the way for free trade agreements with countries,

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99. Ibid; EFTA-Geneva, EFTA/W 2/90, 19 January 1990.

100. EFTA-Geneva, Items Discussed by Deputies, 23 January 1990.

101. EFTA-Geneva, Consultative Committee 1979-, SGO 50/90, 1 February 1990; HAEU, EFTA-687, CS 29/90, 3 April 1990.

102. Ibid.

providing certain conditions were met.<sup>103</sup> Given the position it had adopted until this point, it was difficult to see the backing of this mandate as anything other than a Swedish climb-down.

Reisch wasted little time turning ministerial instruction into reality. Within weeks a document emerged outlining a three-phased approach to EFTA-CEE relations.<sup>104</sup> At the heart of this stood the need for EFTA to keep a basic parallelism with the EC; for the sake of the EES and to avoid losing out to competitors in the Community, it was stated that where Brussels went, the Association should follow. The first phase hence foresaw building the sort of ties which the Swedes and others had previously considered a maximum offer: cooperation in the realms of trade, economics, industry, the environment, tourism, transport and technical and scientific fields would all be available to those countries deemed to be committed to establishing a market economy and liberalising their trade, with relations covered by joint committees and based on political declarations. How far EFTA thinking had matured was signified by a second phase, which was expected to be reached as swiftly of possible, comprising either a trade agreement based on Article XXIV – but most likely including asymmetry in the short term – or an association similar to that secured by Finland back in 1961, should there be ‘political pressure [...] from the countries concerned [or] from rapidly arranged agreements between the Community and those countries’. The third step then held out the chance of participation in the EES. Admittedly, this was recommended as a longer-term goal given that an agreement between EFTA states and the EC was itself some way off. But such a phase was nevertheless judged essential for those CEE countries reluctant or unable to join the EC. In this regard, the EES was labelled ‘a less political and looser kind of organisation’ which could act as ‘an interesting second door into the West European integration process’. If this required EFTA membership for the countries concerned, then so be it.<sup>105</sup>

Very quickly, it seems, this phased approach became the consensus view. By the beginning of May, there was enough enthusiasm about proceeding to the first phase that representatives of Hungary, Poland and the newly titled Czech and Slovak Republic (CSFR) were invited to attend the EFTA Council in Gothenburg on 13–14 June 1990 to sign the first raft of political declarations.<sup>106</sup> At that meeting, congratulatory statements about EFTA assisting in the ‘reshaping of the European architecture’ and of member states accepting their ‘political responsibility to play a part in creating a new basis for relations with those countries in Eastern Europe which wished to bring about reforms within their societies’, sat alongside a commitment to advance as quickly as possible to the second phase of negotiating free trade terms.<sup>107</sup> Such was the enthusiasm that just 2 weeks later, on 28 June, experts from these three countries plus Yugoslavia met to flesh out the declarations and identify the precise areas where cooperation under the first phase could be achieved.<sup>108</sup> Expectations remained sufficiently high that, by the autumn, not only did gatherings of the joint committees finally get underway but focus turned immediately to laying the groundwork for free trade agreements.<sup>109</sup>

That EFTA made good on these promises is hard to dispute. The declarations themselves were vast compared to anything the Association’s members had agreed before. Just as significant was their coordinated nature: this was a unified EFTA agreement rather than a series of bilateral

103. Ibid.

104. EFTA-Geneva, EFTA/C.SR 16/90, 13 June 1990, presenting R 339/30, ‘EFTA’s Relations with Eastern Europe’.

105. EFTA-Geneva, EFTA/C.SR 16/90, 13 June 1990.

106. EFTA-Geneva, EFTA 20/90, 2–3 May 1990.

107. EFTA-Geneva, Informal Ministerial Meetings, CS 52/90, 13 June 1990.

108. EFTA-Geneva, EFTA 24/90, 3–4 July 1990.

109. EFTA-Geneva, EFTA/W 35/90, 15 October 1990.

arrangements. What emerged were partnerships covering everything from tax, customs and origin rules, and efforts to tackle technical barriers to trade, to financial and technological support for small and medium enterprises, standardisation of national regulations for transit and assessment procedures, cooperation on intellectual property and environmental risk monitoring, exchanges between scientists, trade organisations and chambers of commerce, support on capital flow issues and energy security and even advice for the CSFR on how to develop health tourism and for the Hungarians on creating a new stock exchange.<sup>110</sup> What was more, this model would soon be replicated for others in the region. Despite having originally chosen to sideline Bulgaria and Romania, for example, the Association was forced to act quickly in October 1991 to draft political declarations when news emerged that the EC planned to sign its own first-generation agreements with Sofia and Bucharest.<sup>111</sup> Within a year, these would be joined by almost identical political declarations granted to the three Baltic states.<sup>112</sup> Come 1995 – the same year that Austria, Finland and Sweden eventually departed for the Community – the Association's remaining members had put their signatures to a total of nine free trade agreements with former Eastern bloc states – all of them EFTA-level deals. With it, the second phase of Reisch's plan had been achieved.

#### 4. Conclusions

The European Free Trade Association was therefore clearly not always the passive or absent actor it has been branded. Rather, after much hesitation and considerable internal disquiet, member states came to regard developments surrounding the end of the Cold War as much too momentous and consequential for them to sit back and do nothing. In conceding as much, the EFTA countries came to argue – often without much introspection – that trade and economic integration mattered to, and even presupposed, the transitions away from communist command economies to stable, prosperous mixed-market ones. How far various political declarations, joint committees and ultimately free trade agreements actually contributed to this reform process is of course difficult to quantify; what matters, as Finland's minister of trade and industry, Pertti Salolainen, put it at the signing ceremony of the Bulgarian and Romanian declarations in December 1991, is that the Association's ranks themselves seemingly felt that such efforts *would* somehow help 'consolidate the commitment to parliamentary democracy, political pluralism, the rule of law and respect for human rights'.<sup>113</sup> What matters, too, is that offering this support obliged member states to adapt the sort of tasks which had previously been EFTA's bread and butter – the internal freeing of trade and being a platform from which to arrange closer economic linkages with the EC – into a means to promote democracy in their near abroad. What was considered possible for an economic organisation like EFTA to do, and with whom, changed quite dramatically because of the fall of socialist governments.

Two sets of actors were crucial in driving this development. One was Austria and Norway, who amongst member states were evidently at the forefront in pushing the Association to be more proactive vis-à-vis Central and Eastern Europe. Historical, cultural and geographical factors were, as we have seen, central to informing Austria's stance. In the case of Norway, the often frosty Cold War relationship with the Soviet Union likely explains why Oslo might have been so keen to

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110. EFTA-Geneva, Annex XIII to EFTA 33/90, 27–28 September 1990, and EFTA 46/90, 5 November 1990.

111. EFTA-Geneva, EFTA/C.SR 14/91, 23 May 1991.

112. EFTA-Geneva, HOD Notes 1991–1993, 12 September 1991.

113. EFTA-Geneva, EFTA/C.SR 32/91, 10 December 1991.

support CEE states in achieving their independence.<sup>114</sup> Despite having very different takes on the question of neutrality, both consequently shared an appreciation of the political relevance of trade with countries in the region. The other is EFTA's own institutions. The Secretariat proved its worth early on when fielding numerous requests for contact and meeting with representatives of CEE governments, absolving member states of the responsibility of engaging in potentially politically sensitive conversations. More notably, the combination of tensions amongst EFTA states, which at times provided an opportunity for a third party to smooth the path towards a compromise, and a personal command of and interest in the issue, allowed Reisch to make still more of a mark from the time he became secretary-general in April 1988. As the contents of his third country plan demonstrate, he did not shy away from interventions that seemed to stray beyond the strictly technical, administrative ambit of his mandate. The decisions, for instance, on parallelism and asymmetry were both based at least in part on political calculations rather than simply commercial logic. He augmented this with frequent visits to the region to discuss progress on the trade agreements.<sup>115</sup> All of this helped to provide momentum and direction at key moments. If this is suggestive of a more activist Secretariat, the fact that Reisch did so with relatively few staff and little assistance also adds a timely corrective to those scholars who suggest that it is large bureaucracies which tend to best help IOs to thrive.<sup>116</sup>

As this last point indicates, it would be wrong to consider EFTA's actions in this period as purely altruistic. There is, in fairness, no reason to doubt the sincerity of comments such as those articulated by Salolainen's cited above; in fact, the likes of Finland, Norway and especially Austria had, as we have seen, spoken well before 1989 of the need for EFTA to consider using its trade and economic remit to assist those promoting democracy within the Eastern bloc. There is also little disguising that the eventual decision by all six EFTA states to adopt a more contributory approach to Eastern Europe, confirmed in the memorandum of December 1989, ultimately owed as much, if not more, to political concerns about how the downfall of communism might impede their own economic relations with the EC and any progress towards the EES/EEA and member states' domestic business interests when it came to accessing Central and East European markets, than it did to any sort of noble desire for the Association to have a hand in sustaining the revolutions of 1989. The wandering of EFTA's remit into the realm of security and foreign policy appears to have been much easier for the likes of Switzerland and Sweden to stomach knowing that their existing foreign economic goals could be threatened. Adaptation of its policy-making scope might in this regard have helped EFTA endure or at least remain relevant to its members at a time when many were looking to a future beyond the Association. Renewing the organisation, however, never made it to the top of member state agendas until the changing international environment pushed them to do so. Likewise, it would be misguided to argue that, once taken, the decision to forge closer ties with Central and Eastern Europe ended earlier divisions within the EFTA camp. The position adopted by Sweden during the first half of 1990 more than proved as much. Continued internal disagreements also go some way to explaining the almost 3-year lag between the signing of the political declarations for Hungary, Poland and the CSFR in Gothenburg in June 1990 and the eventual emergence of their FTAs by March 1993.

114. See R. K. German, 'Norway and the Bear: Soviet Coercive Diplomacy and Norwegian Security Policy', in: *International Security* 7 (1982), 55–82; G. R. G. Benito / L. S. Welch, 'Norwegian Companies in Eastern Europe: Past Involvement and Reaction to Recent Changes', in: P. J. Buckley / P. N. Ghauri (eds.), *The Economics of Change in East and Central Europe*, London 1994, 221–234.

115. See for instance 'EFTA News', no. 1, May 1989.

116. M. J. Debra / H. Dijkstra, 'Institutional Design for a Post-Liberal Order: Why Some International Organizations Live Longer Than Others', in: *European Journal of International Relations* 27 (2021), 311–339.


At numerous points during the negotiations, Sweden, for instance, found itself being rebuked for wanting EFTA's trade agreements with CEE countries to be more restrictive than the comparable ones they had secured from the EC.<sup>117</sup> More damaging was the worryingly familiar quarrel which arose over asymmetry, which again pitted Switzerland, Iceland and Sweden (who were concerned about derogations becoming permanent) against Austria and Norway, for whom the important thing was simply to 'support, in any way possible, those countries which were suffering more than it sometimes appeared'.<sup>118</sup> Whilst the propensity after 1989 was thus for member states to want to help, and for EFTA to be used as the institutional means to do so, not everyone was prepared to intervene at any cost.

This all points towards asking, finally, where the analysis above leaves us in our understanding of EFTA at the end-stage of the Cold War. EFTA's *raison d'être* doubtless matured by 1989 and, for whatever reason, the Association was there in some capacity as Central and Eastern Europe set about emerging from the Soviet shadow. Yet the Association itself could only ever achieve so much. Another reason why the FTAs with Hungary, Poland and the CSFR took so long to emerge is because the Association lacked common trade in agriculture – a historically tricky issue for an industrial-centric organisation. This forced member states into negotiating a set of bilateral agreements on foodstuffs prior to then moving back to the EFTA-level to finalise the industrial side of the arrangements. If this suggested structural limitations on what EFTA could offer, it did not help that the Hungarians and Poles were simultaneously negotiating the so-called Europe Agreements with the EC; given that EFTA represented a far smaller economic prize inevitably meant that talks with Brussels always took precedence. In this and in many other ways, EFTA ended up playing second fiddle to the EC. Reisch's decision to put parallelism at the heart of EFTA's third country policy certainly indicates that the EC was able to dictate the responses of institutions around it. In addition, the relative insignificance of EFTA, and by extension the EEA, was subsequently on full display when these institutions were eventually overlooked (by both the former Eastern bloc and most EFTA states) in favour of joining the EU proper; whilst the EEA was eventually signed into life by 1992, there was never a need to put Reisch's third phase into action. That a third country plan of any sort existed, let alone that it ended in the signing of a raft of FTAs, is, however, the real lesson.

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117. EFTA-Geneva, EFTA/C.SR 14/91, 23 May 1991.

118. EFTA-Geneva, Informal Ministerial Meetings, CS 15/91, 1 March 1991.