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FROM RIVALRY TOWARD COOPERATION. INTEGRATION WITHIN EUROPEAN ECONOMIC AREA

Summary

The path of European economic integration these days seems to be dominated by the European Union – its functioning and current challenges. It is however worth emphasizing, that the process of European integration together with commercial and trade aspects thereof, includes also elements which remain beyond the mainstream of Union-oriented debate and involve countries not being EU Member States. European Economic Area (EEA) is a good example of that. The supranational model of integration combined with inclinations towards more traditional, intergovernmental, concept of cooperation resulted in a very interesting form of economic integration grouping. The motives for establishing EEA, the mosaic of interests represented by states engaged, the economic conditionings in that respect and – finally – the character of EEA and the peculiar instruments of decision-making are then worth a closer analysis. No less important are perspectives of EEA further development. Those problems are the main elements of considerations presented in this contribution.

Key words: European Economic Area, European Union, EFTA, european integration

1. Introduction

The permanent development of the European Union, both in the aspect of constitutional reforms and in the economic dimension, regardless of conclusions formulated in this matter, necessarily results in the most common perspective of the evaluation of the European economic integration becoming just the Union (Community) perspective. The accomplishments of the Lisbon Treaty, the eurozone crisis and the fiscal pact, discussions on the EU extension and its external relations: these issues seem currently to dominate. Simultaneously, it is a truism to state that the Union does not function in an economic or political vacuum. It is important to note the EU and the remaining countries of the continent are connected by a network of incredibly interesting links and relations resulting from a peculiar evolution of integration processes in Europe.

This paper is dedicated to the problem of the European Economic Area (EEA), remaining a particular example of integration of member states of the Communities

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(now the Union) and member states of the other European cooperation group: the EFTA. The following considerations concentrate on three basic issues: the assessment of the genesis and the process of forming the EEA, the assessment of the formal effects of the aforesaid process in the form of the Agreement on EEA and the decision-making system created thereby; conclusions referring to the future of the EEA and potential challenges in this matter. The selected issues provide an opportunity for a broader analysis of extremely interesting threads. Which motives and interests of the European states determined the EFTA-EEC relations evolving from rivalry, a specific competition towards cooperation and one-direction moves in the membership of both groups? What is, in the treaty dimension, an actual shape of the cooperation model of the member states of both formations and how does it correspond with their needs and expectations? Finally, what are the perspectives of the further development of the EEA in view of current experiences and positions of its members. The following analyses make an attempt at answering the questions signaled.

2. Genesis, motives, interests

2.1 Primary conditions of EC- EFTA coexistence

The European Free Trade Association originated as a response to integration processes of the 6 countries making in the 1950s the European Economic Community. A part of European countries potentially interested in participation in the EEC were not inclined to accept all the conditions of membership in this organization. Denmark, Norway and Portugal were critical towards the rules of free competition of industrial products. Austria, Finland, Sweden and Switzerland, on the other hand, were against forming a supranational institutions which would reduce their neutrality. Great Britain, in turn, wanted to preserve its developed trade relations with the Commonwealth countries. Consequently, based on assumptions different from those of the EEC, an integration group appeared in Western Europe, which was a competitive offer in relation to the membership in the Communities. The then map of the European integration processes was defined as the “Europe of the Six” versus the “Europe of the Seven” [Langenhove, 2011, p. 105], and the formula of mutual relations and potential cooperation became a serious challenge.

What is remarkable, in various periods of these groupings functioning, in their particular member states, a vivid discussion juxtaposing two alternative solutions: cooperation (which actually in the 1990s was institutionalized in the form of EEA) or full membership (of the interested EFTA states in EC/EU) was provoked. Taking into consideration the starting point, there occurred here a sort of paradoxical situation. The conditions of membership in EEC which were unacceptable for European countries set foundations for building EFTA. Cooperation between EFTA and EEC was natural and necessary but the rules of this cooperation turned out so little satisfactory for some EFTA states that they decided to apply for their full membership in EC. Thus, it turned out that the practice of EFTA functioning led to a verification of primary concepts of

some European countries referring to the desired integration formula and made them change the assumptions in this matter directing them towards supranational cooperation. This process is worth close scrutinizing.

The first withdrawals from EFTA, those of Britain and Denmark, and their accession to the Communities meant the diminishing of the former organization and, simultaneously, made an inducement to sum up the effects of its work. The achievements of integration within the framework of EFTA was evaluated positively, which was demonstrated by, for example, the growing volume of trade exchange. An analysis of the trade directions of EFTA countries proved far-reaching trade connections with the EC. For instance, in 1978 intra-EFTA trade (measured in exports) constituted 15.1% of the total trade of the group, whereas the export to the EC as much as 48.8% of the total [Conseil de l'Europe, 1980, p. 613]. It was one of the main reasons for intensifying EFTA countries' actions towards improving the position of the goods from them on the EC market. As early as the beginning of the 1970s individual agreements with the Communities were signed, e.g. the Agreement between the European Economic Community and the Republic of Iceland of 1972 [*The Agreement...*, 1972], or the Agreement between the European Economic Community and the Kingdom of Norway of 1973 [*The Agreement...*, 1973] providing for building zones of free trade in industrial products. These agreements, however, were regarded as obsolete and inadequate to face new challenges resulting from the acceleration of integration within the EU [Berg, 2009, p. 20].

At that time EFTA countries expressed their will to deepen their cooperation with EC but the Community party faced new internal and external challenges: i.e. the accession of Greece. Relations with EFTA countries remained of secondary importance [Dupont, 1998, p. 124].

The early 1980s were characterized by further interest on the part of EFTA members in cooperation with EC. The incentive was the growth in importance of EC in terms of trade. Between 1972 and 1986 intra-EFTA import fell as a percentage of total EFTA imports from 15.9 to 13.3%. The fall in export between EFTA states was, on the other hand, 3.8 percentage points (from 18.3 to 14.5%). Simultaneously, EFTA's imports from the EC increased from 59.4 to 61.1% and export to the EC increased from 51.8 to 53.7% [Laursen, 1995, p. 188]. Commercial dependencies were not unilateral. EFTA states made up the largest market of the EC, taking over 23% of its exports, much as goes to the United States [Commission of the European Communities, 1985]. However, reasons for deepening cooperation of the Western European countries did not reach the ground fertile enough on the part of the EC, which focused its efforts on internal actions directed to re-launch the internal dynamics [Dupont, 1998, p. 124].

2.2 A breakthrough in EC – EFTA relations

A factor of fundamental importance for the intensification of EFTA countries' efforts towards closer cooperation with the EC was the beginning of building a single market on the territory of the Communities. The EFTA states saw a threat in this process, for

example in the form of relative deterioration of competitive position of their goods. In the late 1980s the five EFTA countries were heavily dependent on the EC market, which is demonstrated by the fact that on average 53% of their exports went to the EC. Whereas in the late 1980s the share of export in GDP made up 35%, thus, roughly 18% of their income was generated directly from sales to the EC [Schiff, Winters, 2003, p. 220]. Between 1986 (the year the Single Market program started) and 1990, EC's importance in EFTA total inward foreign investment fell from 47 to 36%. At the same time the EC share of EFTA's outward foreign direct investment grew from 30 to 63%. Inasmuch as many other factors shape the scale and the direction of direct foreign investment flow, these changes suggest that the EFTA countries' fears were justified [Baldwin, 1992, p. 7].

The factor affecting the EC concept of deepening the cooperation with the EFTA states became political changes in East European countries. Most of the states in this region from the very beginning of transformation aimed at integration with the then EC. Economically, there were emerging demands for new trade arrangements (signed i.a. in 1988 with Hungary, signed in 1989 with Czechoslovakia and Poland). There was clearly a fear that more far-reaching demands would emerge. At that time the Community party wanted to eschew communicating that in the nearest future the accession to the EC was possible by having to accept new members coming from EFTA [Dupont, 1998, p. 124].

The breakthrough in the process of building the EEA was J. Delors speech in the European Parliament in 1989. His words "There is a queue of applicants at the door seeking membership or closer cooperation, even as we are assessing how much remains to be done" [Delors, 1989, p. 2] expressed the anxieties described above. In response to vivid membership aspirations, Delors proposes developing 'flexible proximity policies'.

On the part of EFTA, which made every possible effort to preserve unanimity during the negotiations there emerged positions against the process of building EEA (among those interested in full membership) or doubts if building an institutional and legal bridge between EU and EFTA was possible. Thus, it was necessary to develop a completely new solution [Brundtland, 2009, p. 14]. Advocates of full integration saw a "sidetrack" in the process of EEA building, which would not allow to achieve the goal in the form of membership.

The negotiations brought about significant changes of positions: some EFTA member states, those which even in March 1989 during the meeting of heads of EFTA Governments had defied a customs union with the EC decided to apply for membership in the EC "before the ink was dry on the draft EEA agreement" [Berg, 2009, p. 21]. It is worth noting that until now all the EFTA member states (except Liechtenstein) have applied for EC/EU membership. For instance, Austria formally applied to join the EC on 17 July 1989, which is before the negotiations on EEA began and Sweden formally applied to join the European Communities on 1st July 1991, which is during the negotiations of the EEC Agreement.. This leads to reflection and provokes a number of questions. Did EEA not satisfy the needs of EFTA member states referring to either institutional or sector solutions? Were other available solutions better for EFTA states? Perhaps the negotiations on EEA facilitated the process of application for

full EC membership? The EFTA countries faced a dilemma: cooperation with the EC or full membership.

The offer of cooperation within the framework of EEA includes several economic profits for EFTA states. Because both EC import and EFTA import came in 67% and 73%, respectively, from the area which was to embrace the EEA, and, additionally, the EEA Agreement imposed on EFTA states no obligation of adopting a joint customs tariff, it was expected that the trade diversion effect would be low [Baldwin, 1992, p. 3]. As to the creation effect, in the almost duty-free situation and trade based on the previous bilateral agreements, it would result from the removal of resource-wasting trade barriers. Lifting these barriers provides a more beneficial effect on the prosperity of the cooperating states than in the case of lifting duties. Some estimations demonstrated that EFTA states joining the single EC market would bring profits on the part of EFTA on the level of 3% of its GDP, while the losses, if the EFTA states had not decided to cooperate, would have been on the level of 0.5% of GDP [Schiff, Winters, 2003 p. 220].

On the other hand, an essential drawback of the EEA Agreement from the EFTA countries' point of view was an institutional aspect: the influence of the EFTA states on EC law in the scope embraced with the agreement.

Consequences of EFTA states' cooperation with the EC for the latter was not a mirror reflection of the consequences the former could have expected. The cooperation within the framework of EEA brought for the Community party slight economic benefits, which suggests that it was political stimuli that dominated. Liberalization of trade within the framework of cooperation of a large region and a small region entails higher benefits for the smaller region, which is within EEA for EFTA. Haaland-Norman estimated that EFTA states joining the single market would increase the Communities' GDP by 0.02%, whereas the influence on the part of EFTA would be 40 times higher. In 1990 EC export to EFTA countries constituted only 2.4 of its GDP, whereas EFTA export to EC 15.2% of EFTA's GDP [Baldwin, 1992, p. 14]. Among political reasons encouraging the Community party to cooperate with EFTA states it is important to underscore the above-mentioned anxieties of the vivid membership aspirations of European countries. Simultaneously, the Community party was threatened with blaming for being a closed, inaccessible club. Extension would be a strong counter-argument in this debate, whereas extension by the EFTA states would be less expensive than extension by Eastern and Central European countries. Moreover, it is noted that regional integration agreements enabled the main powers on the international stage to strengthen their position in future multilateral negotiations [Schiff, Winters, 2003, p. 260].

EC membership meant for EFTA countries full representation in the decision-making process of the EC but extra economic benefits for this organization (in comparison with cooperation within the framework of EEA) were insignificant. The membership was connected, *inter alia*, with the obligation of participating in the EC budget. From the Community party's point of view, among the benefits resulting from the full membership of EFTA states in the EC may be counted not only payments to the EC budget but also extension of the market area for the existent agricultural surplus of the Community

[Baldwin, 1992, p. 15]. At the same time, it was expected that EFTA states would not benefit from the support of the regional policy. The most cautious estimations indicated that they would be net payers.

Summing up, the EEA brought considerable economic benefits to EFTA states with a considerably limited influence on law created in the Communities. The Community party could not expect far-reaching economic benefits from cooperation in the framework of EEA: the political motives were of the primary importance.

The EFTA countries' membership in the EC, on the other hand, brought them slight extra economic benefits but a significant change in the participation in the decision-making process of the EC. The Community party, in turn, could expect (mainly due to the anticipated high contributions of EFTA states to the EC budget) high economic benefits.

A considerable growth in intra-community trade together with significant fall in mutual export between the EC and EFTA [Schiff, Winters, 2003, p. 43] made the negotiating position of EFTA states weaker. The Community party was a regional hegemon, while EFTA acted as a *demandeur*. Consequently, EFTA had to pay a high price for the privilege of access to the single EC market and the EC over-priced the EEA product [Dupont, 1998, p. 124].

3. The EEA Agreement and institutional aspects

The text of the agreement was signed in October 1991. However, the Court of Justice of the EU regarded the legal control system determined in the agreement as against the Treaty of Rome. The text of the EEA Agreement which took into consideration the Court's observations was signed on 2 May 1992 in Porto, Portugal. The Agreement provided for coming into force, after the requisite ratification, at the beginning of 1993. The ratification process was considerably prolonged [Makać, 2011, p. 73]. One of the reasons was the negative result of a referendum in Switzerland of 6 December 1992, as a result of which Switzerland withdrew from the agreement (interesting enough, the decision was taken by the majority of only 50.3% of voters, whereas fewer than 24 thousand votes would be sufficient to make a decision on Switzerland entering EEA) [Kuźelewska, 2003, p. 99]. The Agreement taking this change into consideration came into force on 1 January 1994.

Association of the EC/EU with 3 EFTA countries, as Article 1 of the Agreement on the EEA [*Agreement on the European Economic Area*, 1994] maintains, set as a goal supporting trade and economic cooperation between the parties. This goal is to be achieved through for instance free movement of goods, persons, services, capital.

The literature on the subject underscores the special nature of the European Economic Area in relation to the classical classification of economic integration stages. A. Makać considers EEA as a "kind of single market" [Makać, 2011, p. 80]. The EEA market is not identical with the internal market as it is in the EU. It is worth emphasizing that in goods exchange it constitutes a free trade zone and not a customs union. Moreover, agricultural and fish products are excluded from the free movement

of goods and an significant difference is the lack of joint economic policy [Bijak-Kaszuba, 2004 p. 162]. Another reason why the integration processes in the framework of EEA cannot be treated as a single market is the fact that the trade between the EU and the three EFTA countries is limited by such barriers as differences in VAT and different standards [Sporek, 2004, p. 203].

An aspect of great importance for the EC and EFTA member states on the stage of developing the EEA Agreement was the institutional aspect, including the decision-making procedure. This area touches upon an issue, neuralgic for every country, which is sovereignty manifesting itself, for example, in the ability of legislation. It is important to note that the specificity of the EEA Agreement assumes the EFTA states joining the joint market and not shaping this market on the basis of bilaterally determined rules. Thus, it also required adopting specific, exceptional institutional solutions.

The dilemma of EFTA countries, naturally enlivened at the stage of negotiations of the EEA Agreement: cooperation with the EC within the EEA or full membership in the EU, inevitably implied comparisons within the area of law making. It is worth highlighting then, which solutions in the field of policy-making was provided for by the alternative option: membership in the EC/EU.

The decision-making process in EEA is shaped in another way and consists in the functioning of common organs establishing EFTA-EEA and EU/EC-EEA representation. It begins on the part of the EC/EU. A draft act is prepared by the European Commission. The EEA Agreement provides for a contribution of EFTA-EEA states at the proposal stage. In accordance with Article 99.1 of the Agreement at the stage of preparing the draft of a new act the European Commission „seek advice from experts of the EFTA States in the same way as it seeks advice from experts of the EC Member States”.

During the crucial stage – the adoption stage of new legislation – EFTA-EEA states are not entitled to participate in decision-making. According to Article 99.3 of the Agreement: “during the phase preceding the decision of the Council of the European Communities, in a continuous information and consultation process, the Contracting Parties consult each other again in the EEA Joint Committee at the significant moments at the request of one of them.” Thus determined participation of EFTA-EEA states in the process of adopting internal market *acquis* against the background of the solutions binding for EU full members demonstrates clearly lesser influence of the EFTA-EEA countries.

In order to secure the homogeneity of the single market, the legislation on the part of the EU has to be applied by all EEA states, including the EFTA-EEA countries. The adoption of an EEA- relevant legal act by EU institutions launches the decision-making process on the part of EEA. The EEA Agreement provides for the incorporation of new EU internal market *acquis* into the EEA Agreement through changes in annexes and protocols (in accordance with Article 102 of the Agreement, “the EEA Joint Committee shall take a decision concerning an amendment of an Annex to this Agreement”). As the EEA is a dynamic area, the process of adjustment of the EEA Agreement is permanent: only in the year 2011 the EEA Joint Committee (which, according to Article 93.1 is accountable for the successful implementation

and operation of the Agreement) adopted 164 decisions incorporating 373 legal acts [EEA Joint Committee, 2012, p. 1]. Since the EEA Agreement came into force, over seven thousand EU legal acts have been incorporated into the agreement [European Commission, 2012a, p. 6].

It is worth underscoring that although the incorporation of the internal market *acquis* is carried out through a decision of the joint institution of EEA which includes representatives of both groups (according to Article 93.1 the EEA Joint Committee consists of representatives of the Contracting Parties), the incorporated legislation is the law made on the part of the Union, on the form of which the EFTA-EEA states did not have a far-reaching influence. Hence, critics of so built decision-making system within the framework of the EEA regarded it as “intrusive legislation”. [Emerson, Vahl, Woolcock, 2002, p. iv]. In some European leaders’ opinion, this meant adoption of the decision-making process “governed by fax”².

From the lack of this far-reaching influence of EFTA-EEA states on the legislative process in the institutional system of the EEA, an essential consequence may result for the entities acting within the EEA. The EEA regime leaves a certain dose of political uncertainty, which diminishes the investment attractiveness of EEA-EFTA states, which do not make this law [Emerson, Vahl, Woolcock, 2002, p. iv].

4. Implementation of the Agreement on the EEA

Evaluation of the functioning of the EEA may be carried out according to different perspectives. The consequences of the functioning of the Agreement felt by the EU will not be identical with the consequences felt on the part of the EFTA-EEA countries. Also the position of the grouping on the international arena requires explanation.

4.1 Economic aspects of Agreement’s implementation

As a starting point of the initial analysis of the consequences resulting from the implementation of the EEA Agreement we may assume one of the main aims of the group, which was reflected in Article 1 of the Agreement: “*The aim of this Agreement of association is to promote a continuous and balanced strengthening of trade (...)*”. In this light, it is worth noting that in 2010 export of goods within EEA amounted to \$ 3,519,827 million, which made 68.7% of the total export of the group [The World Bank, 2012, p. 352]. From the point of view of the trade exchange of EFTA-EEA states, with one exception of the import of Iceland in 2011, the EU, since 1995, has remained the main trade partner. In the scope of goods exchange, in the case of Iceland, between 1995 and 2007 import and export with the EU tripled. In the case of goods exchange of Norway between 1995 and 2011 import from the EU doubled and export grew by over 3.5 times [Eurostat, 2013a].

² Prime Minister David Cameron’s expression [Cameron, 2012].

It is obvious, which was expressed at the stage of preparing and negotiating the Agreement, that economic benefits on the part of the EU-EEA are less measurable than on the part of EFTA-EEA. It is connected with the size of markets. Along with the accession of new states to the EU, the differences between these markets exacerbated. The EEA provides the EFTA-EEA states with access to the market of the population of over 500 million while the EU-EEA states gain access to the market almost 100 times smaller of the population on the level of 5.3 million [Eurostat 2013b]. Hence, an asymmetry of exchange dependencies can be observed. Exemplifying, Norway in 2011 occupied, respectively, the 4th and the 7th place in the ranking of the most important import-export partners of the EU. In turn, the EU27, whose participation in the goods exchange of Norway is on the level of 74.7% is, both in the case of import and export, in first place among main trading partners of Norway [European Commission, 2012c, p. 4]. In the case of Iceland, the inequality turns out even more noticeable. Whereas the share of this country in the EU trade exchange (which in 2011 was 0.1%) situates it in the 60th place of the EU trade partners, the EU27, with its share in the Iceland's trade on the level of 63.7%, is the main trade partner of this country [European Commission, 2012b, p. 4].

It is important to emphasize the financial contribution on the part of the EFTA-EEA states towards reducing economic and social differences between the EU regions. This financial assistance is provided within the framework of Norwegian Financial Mechanism and the European Economic Area Financial Mechanism, i.e. Norway Grants and EEA Grants. It is estimated that within 20 years, i.e. from 1994 to 2014 the EFTA-EEA states will have allotted €3.7 billion. This contribution grew considerably: from €500 million during the period 1994-98 up to €1.79 billion in the current perspective for the period 2009-2014 [European Commission, 2012a, p. 13].

Assuming that the effectiveness of a regional group's functioning manifest itself in fulfilling the assumptions adopted, it is worth referring also to the concept, raised at the stage of originating the EEA, of strengthening the position of European states on the international arena. In trade, whereas the EU export in 2010 constituted 32.7% of the world export, the EEA export made up 33.6% of the world export [The World Bank, 2012, p. 352].

4.2 Legal and institutional aspect of EEA functioning

It is also worth considering the legal aspect of functioning the EEA. It is subject to parallel assessment by the EU and the particular EFTA-EEA countries.

The axis of reflections upon this matter will be, resulting from the specificity of the EEA Agreement, the implementation process of the legislation made on the part of the Union on the level of EEA. In the context of the assumption of the necessity for single law on the whole territory of the EEA, what can be observed is a quite considerable time shift between the adoption of an act by the EU and its implementation on the part of EEA-EFTA. It is partly a natural phenomenon resulting from the necessity of taking a decision by the Joint Committee. However, this shift is excessive in certain cases. For

instance, environmental directives are transposed by the EFTA-EEA states 341 days later than by the EU-EEA [European Commission, 2012a p. 8]. At the same time, as to the transposition of directives, the EFTA-EEA states note a slightly higher transposition deficit than EU countries [EFTA Surveillance Authority, 2013, p. 5].

Sources and consequences of the lack of homogeneity of law on the part of EU-EEA and EFTA-EEA are essential. The reasons may be connected with the existent institutional solutions as well as political stimuli. It is demonstrated, for example, that the delays are for the EFTA-EEA states a buffer, by which they reduce a political tension in the case of controversial legal acts. Moreover, the sources of delays may be found in the decision-making system. Within the framework of it particular EFTA states before taking a decision by the Joint Committee, not always by the deadline provided for by the Agreement, notify meeting their constitutional requirements. Sporadically a source of delay is the lack of agreement on the scope of the matter which is to be considered as “EEA-relevance” [European Commission, 2012a, p. 5].

The lack of homogeneity of law on the whole territory of the EEA results in far-reaching consequences: the entities of the single market in the EEA may face various requirements and rules on the part of the EU-EEA and EFTA-EEA. In certain circumstances this may create conditions for improving their competitive position. This phenomenon is not conducive to preserving the certainty of law.

Although both the EU-EEA party and the EFTA-EEA party indicate numerous drawbacks at the stage of law incorporation to the EEA Agreement, so far ultimate mechanisms, provided for in Article 102 or Article 111 of the Agreement (providing for, respectively, a procedure of temporary suspension of the part of the Agreement directly affected by new legislation or a procedure of conflict-solving), have not been applied. This fact, however, cannot be recognized as a confirmation of the proper functioning of the institutional dimension of implementing the Agreement. In view of the irregularities adduced before, the fact of not reaching for the ultimate instruments suggests that their nature is too preventive (coercive). This results in a necessity of the revision of the institutional solutions: the necessity which is noticeable both in the EU-EEA and the EFTA-EEA.

Moreover, the need for changes in the EEA Agreement results from the evolutions to which the integration within the EU inevitably and incessantly is subject. Along with the development of the EU single market there also emerged the so-called policies accompanying the functioning of entities on this market (such as the issue of copyright and patent protection). The EEA Agreement establishing a single market with important exemptions (such as agricultural policy or tax harmonization) seems to be subject to further asymmetry. This is a justification of the revision of the EEA Agreement.

What is more, the development of the EU provides grounds for considering a possibility of extending the EEA Agreement onto the areas, which were not considered while signing the Agreement. Were they included therein, they would offer the EFTA-EEA states a status alternative to the EU membership “*an la carte basis*” [European Commission, 2012a, p. 4].

The above remarks lead to one more conclusion. Legal and institutional aspects of cooperation in framework of EEA confirm that we deal here with an internationally

eye-catching model of integration binding two separate groupings. Especially the peculiarity of the EU legal order and links between this legal system and the one of the EFTA are worth underlining. They (accompanied by relevant institutional and decision-making aspects) make EEA a very interesting integration structure also from international law perspective.

5. Conclusion – The future of the EEA

The accession of Iceland to the EU will not change the membership of the EEA but will change its structure, i.e. will cause a depletion of the number of states entering the group on the part of EFTA-EEA. The number of EFTA-EEA states, reduced in such circumstances to two, raises a natural question on the future of the group. The financial and logistic aspects of the EEC functioning by no means undermine the sense of its further existence. On the contrary. Cooperation with the EC and now the EU in form of EEA has proved its worth and brought measurable positive results. Consequently it may become a formula on which the cooperation of EU with other states searching for opportunities of tightening economic relations with it may be based³.

Moreover, this formula of cooperation with the EU is also considered by some of EU member states. References to this form of cooperation [McKenna, 2012] appeared in the discussion on a potential leaving the EU by Great Britain and potential formulas of cooperation with the EU in the future.

It is important to underscore, however, that the EEA – access to the EU single market is not an offer which may satisfy the states seeking even deeper integration with/within the EU – for example, in the form of a monetary-economic union. As long as the EU generally rejects a possibility of adopting the euro by non-member states as national currency, the euro will constitute a factor encouraging the accession (for the countries searching for a deeper form of cooperation than a single market).

It is the possibility of adopting a single European currency, a possibility that is not available in the case of cooperation with the EU in the form of EEA, and which is possible only in the case of membership in the EU that has become the factor which made attractive the other option considered by Iceland. This country experiences strong consequences of the economic crisis. An abrupt depreciation of the Icelandic crown during the recent economic crisis resulted in the increase in the accumulated foreign debt (in crowns). There appeared numerous voices among national politicians

³ In Europe we know cases where the further existence of agreements was questionable in connection with leaving them by many member states, including those founding. When CEFTA was left by all the founding states (in connection with the accession to the EU) the membership of this group amounted to 3 countries: Romania, Bulgaria and Croatia, which by 2004 also applied for membership in the EU. This form of integration, however, raised interest among many Balkan countries. On 19 December 2006 Albania, Bosnia and Herzegovina, Croatia, Macedonia, Moldova, Montenegro, Serbia and Kosovo/UNMIK signed an Agreement on accession to CEFTA, simultaneously amending it. The Agreement is known as CEFTA 2006 [*Consolidated Version of the Central European Free Trade Agreement...*, art 40-41].

that if the currency of Iceland had been the euro, the burden of paying off the debt in euro would not have risen so rapidly. An unexpected solution became an opportunity of membership in the EU [Bjarnason, 2010, p. 53].

Over nearly twenty years of the EEA several changes in the membership have taken place. It is important to underscore that these changes are not symmetric: the number of member states constituting a EU-EEA pillar in the EEA expanded (through admission of new member states or a transfer of EFTA-EEA states to the EU so to the EU-EEA). The membership in the EFTA-EEA was subject to reduction only. It is also important to signal here that the increase in the EEA membership on the side of the EU through accession of new states, which essentially changed the territorial range of the EEA Agreement was a process independent from EFTA-EEA states. Whereas the accession of new states to the EU brings consequences also to the EFTA-EEA states, it may be expected that the process of subsequent extensions (e.g. by such countries as Turkey) will become a subject of attention and discussion of the largest EFTA-EEA country: Norway.

A necessary prerequisite of EEA functioning is maintenance of its bipolarity. EEA, whose idea was cooperation of two different groupings, will last as long as the two groupings. Theoretically, the EEA would cease to exist in the situation of all the EFTA-EEA states' transfer to the EU. Adopting as a perspective of these considerations the geographical or territorial aspect of the Agreement, the shrinking membership of the EFTA-EEA states becomes crucial for the further functioning of the Agreement. Hence, not assuming any probability we can assume three scenarios of the EEA functioning in the future: debilitation (through subsequent countries transferring from the EFTA-EEA to the EU-EEA pillar), no changes in the EFTA-EEA membership, or expansion (EEA as a formula on which the EU's cooperation with other third states will be based).

There is no certainty which scenario will come true. However, regardless the direction of the further EEA evolution, even in the face of no changes in its membership, in view of the opinion of the European Commission and some other member states, certain modifications of the Agreement itself seem inevitable.

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