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Subject: Council conclusions on a homogeneous extended single market and EU relations with Non-EU Western European countries

Delegations will find attached Council conclusions on a homogeneous extended single market and EU relations with Non-EU Western European countries as adopted by the Council (General Affairs) on 13 December 2016.

COUNCIL CONCLUSIONS
ON A HOMOGENEOUS EXTENDED SINGLE MARKET
AND EU RELATIONS WITH NON-EU WESTERN EUROPEAN COUNTRIES

The Council adopted the following conclusions:

1. In accordance with its conclusions of 16 December 2014, the Council has assessed the overall state of the EU relations with the following Western European countries that are not members of the EU: the Republic of Iceland, the Principality of Liechtenstein, the Kingdom of Norway, the Principality of Andorra, the Principality of Monaco and the Republic of San Marino. The Council will revert to the overall state of EU relations with the Swiss Confederation in early 2017. The Council will reassess the state of these relations in two years, as appropriate.
2. The Council emphasises the weight and importance the EU attaches to relations with all these special partners. Beyond shared history, geography, interests and core fundamental values, it is economic integration within the framework of the extended EU Single Market that brings us together even more and frames the inter-dependency of our future prosperity and competitiveness.
3. The Council reiterates that the strength of our economic integration depends on full respect for the four freedoms of the Single Market. It is therefore the responsibility of all the States which already participate or wish to increase their level of participation in the extended Single Market to ensure its integrity and homogeneity, as well as full respect for equal rights and obligations for both citizens and businesses. The Council welcomes the launch of negotiations with Andorra, Monaco and San Marino to develop closer relations with the EU, in particular with regard to their participation in the Single Market, while at the same time taking into account the specificities of each country, as well as their particular situations in line with the Declaration on Article 8 of the Treaty on European Union.

4. The relations of the EU with the above Western European countries that are not members of the Union have further developed over the years to include many of the EU other policies. The Council looks forward to continuing this mutually beneficial cooperation and to further deepening it in the years to come.
5. Furthermore, the Council notes the excellent cooperation in some areas of EU external action such as development aid, cooperation in multilateral fora, and common foreign and security policy, including human rights and restrictive measures. It notes that, in most instances, the action of our partners is much synchronised with EU action or complements it. It welcomes and stands ready to successfully further this approach.
6. The Council acknowledges, in the context of the unprecedented migratory flows to Europe, the constructive and positive cooperation of our partners, as well as their contribution to the Union's efforts, notably in the context of the European Agenda on Migration.

PRINCIPALITY OF LIECHTENSTEIN

7. In the course of the past two years, relations between the EU and Liechtenstein in the context of the EEA Agreement have further intensified. The Council appreciates Liechtenstein's continued excellent rate of implementation of EEA relevant EU *acquis*, as well as its efforts to bring about solutions to pending issues.
8. The Council welcomes the solidarity shown by the people of Liechtenstein through their increased commitment to reducing social and economic disparities within the EEA in the period 2014-2021, by supporting innovation, research, education, competitiveness and youth employment in the European labour market.
9. The Council acknowledges the quick progress made by Liechtenstein in the process of incorporation of the package of EU acts in the area of financial services, needed for its integration into the system of financial supervisory authorities.
10. Liechtenstein is a close and reliable partner in the area of justice and security, in particular with regard to the efficient implementation of the Agreements associating Liechtenstein with the Schengen and Dublin *acquis*.

11. The Council appreciates the good cooperation with Liechtenstein in the area of CFSP and looks forward to further deepening this cooperation, in particular on issues such as strengthening the rule of law and respect for human rights, notably within the framework of the United Nations and the OSCE.
12. The Council notes with satisfaction the advances made on cooperation between the EU and Liechtenstein against tax evasion thanks to the signing and entry into application of the 2015 Protocol on information exchange in tax matters, but also stresses the importance of the effective implementation of the cooperation measures agreed and the need for Liechtenstein to pursue its active participation in global efforts to increase transparency.
13. The Council welcomes the intensified dialogue between the EU and Liechtenstein on tax measures which constitute harmful tax competition, and encourages Liechtenstein to continue to engage in constructive, transparent and open dialogue with the EU, with the aim of applying the principles and all the criteria of the EU Code of Conduct on Business Taxation.
14. The Council also notes with satisfaction that Liechtenstein has become a member of the G20/OECD Inclusive Framework on Base Erosion and Profit Shifting (BEPS) and has committed to the comprehensive BEPS package and its consistent implementation.

REPUBLIC OF ICELAND

15. Through its participation in the EEA Agreement, which is at the core of Iceland's foreign policy, its membership of the Schengen area, as well as through its close cooperation on various EU policies, Iceland remains an important and reliable partner for the EU.
16. The Council has taken note of the Icelandic government's letter of 12 March 2015 clarifying its policy on the EU accession negotiations, as well as the Icelandic government's commitment to continued strong relations with the EU.
17. The Council appreciates Iceland's close cooperation in the area of CFSP and acknowledges the constructive role played by Iceland in relation to Arctic matters. The Council welcomes the continued support of Iceland for observer status for the EU in the Arctic Council.

18. The Council appreciates the continued close cooperation between the EU and Iceland in a range of other areas such as justice and home affairs, research, innovation, education and energy. The Council looks forward to deepening the close cooperation in the areas of environment and climate change policy. In this regard, the Council welcomes the commitment by Iceland to achieve the same emission reduction target as the EU by 2030, as well as the swift finalisation of the national ratification procedure of the Paris Agreement.
19. The Council welcomes the signing of the Agreements on the EEA financial mechanisms for the period 2014-2021 and looks forward to their rapid implementation. The Council acknowledges Iceland's increased commitment to the reduction of social and economic disparities in the EEA by supporting innovation, research, education, competitiveness and youth employment in the European labour market, as well as the importance of sharing knowledge and expertise in areas such as geothermal energy. The Council also welcomes the signing of the Additional Protocol to the Free Trade Agreement between the European Economic Community and Iceland of 22 July 1972, establishing special provisions for imports of certain fish and fishery products for the period 2014-2021.
20. The Council welcomes the conclusion of the negotiations between Iceland and the EU on further liberalisation of agricultural trade within the framework of Article 19 of EEA Agreement, on protection of geographical indications, as well as on further liberalisation of trade in processed agricultural products between Iceland and the EU, and looks forward to their rapid entry into force.
21. The Council welcomes the commitment made by Iceland both to reduce the number of EEA-relevant EU acts awaiting incorporation into the EEA Agreement and to ensure their timely transposition. The Council strongly encourages Iceland to further substantiate ongoing efforts with the aim of ensuring legal certainty and homogeneity in the Single Market.
22. The Council acknowledges the substantial efforts made towards a continued economic and financial recovery in Iceland. The Council welcomes recent decisions taken to gradually lift the remaining capital controls, and recalls that restrictions can only be implemented temporarily on the basis of provisions of Article 43 of the EEA Agreement.

23. Regarding the management of mackerel stock in the North East Atlantic, the Council recalls the conclusion in 2014 of a five-year arrangement, as well as the long-term management strategy agreed upon in 2015 between EU, Norway and the Faroe Islands. The Council recalls that the possibility for Iceland to join these agreements remains open and urges Iceland to engage in consultations to arrive at solutions that would offer stability and predictability, and would guarantee the conservation of the biomass and the sustainable exploitation of the stock across its entire area of distribution.
24. The Council reaffirms its strong support for the maintenance of the internationally-agreed moratorium on commercial whaling established under the International Whaling Commission and for the listing of cetaceans and other marine species under the Convention on International Trade in Endangered Species (CITES). It therefore calls upon Iceland to respect the internationally-agreed moratorium on commercial whaling established under the IWC and to withdraw its reservations under CITES for these and other marine species.

KINGDOM OF NORWAY

25. The Council notes with satisfaction that, over the past two years, Norway and the EU have maintained and further strengthened their very close and stable cooperation both inside and outside the framework of the EEA Agreement.
26. Norway is a close and reliable partner in the area of justice and home affairs, in particular in the application of the Schengen *acquis*. In the context of the unprecedented migratory flows to Europe, the Council acknowledges Norway's contribution, as well as its constructive and positive cooperation, notably in the context of the implementation of the European Agenda on Migration.

27. The Council appreciates the very close cooperation with Norway, as well as its contribution, in the areas of Common Foreign and Security Policy (CFSP) and Common Security and Defence Policy (CSDP) and looks forward to the deepening of this cooperation based on shared values, such as democracy, the rule of law and human rights. The Council acknowledges Norway's active role in peace-building and mediation initiatives around the world. The Council also notes the importance of the close cooperation with Norway on the 2030 Agenda for Sustainable Development.
28. The Council welcomes the continued strong cooperation with Norway on Arctic matters and reiterates its interest in further strengthening this cooperation. Many of the issues affecting the region can be more effectively addressed through enhanced regional or multilateral cooperation. The Council also welcomes the continued support of Norway for observer status for the EU in the Arctic Council.
29. In the area of energy, the Council notes with satisfaction that Norway remains a key partner of the EU as a reliable supplier of gas and oil. The Council fully recognises the importance of this cooperation for the energy security of the EU, as well as the significant contribution of Norway to the completion of the internal energy market. The Council notes however that the Third Energy Package and the Offshore Safety Directive have not yet been implemented in Norway, and calls for increased efforts with a view to their swift incorporation into the EEA Agreement.
30. In response to the challenges posed by climate change, the Council welcomes the commitment made by Norway to achieve the same emission reduction target as the EU and looks forward to continuing this cooperation. The Council notes the importance of the close cooperation with Norway on climate change, in particular in the context of the United Nations Framework Convention on Climate Change (UNFCCC). The Council welcomes the swift finalisation of the national ratification procedure of the Paris Agreement by Norway.

31. The Council welcomes the signing of the Agreements on the EEA and the Norwegian financial mechanisms and looks forward to their rapid implementation. The Council welcomes, in particular, Norway's commitment to continue and increase its significant contribution to the reduction of social and economic disparities in the EEA by supporting innovation, research, education competitiveness and youth employment in the European labour market. The Council also welcomes the signing of the Additional Protocol to the Free Trade Agreement between the European Economic Community and Norway of 14 May 1973, establishing special provisions for imports of certain fish and fishery products for the period 2014-2021 and ensuring the continuation of the arrangement allowing for free transit of fish and fishery products landed in Norway from vessels flying the flag of a Member State of the EU.
32. Participation in the framework programmes and in the European Research Area remains a core element of Norwegian research policy. The Council welcomes Norway's commitment to research and innovation and the successful participation of Norwegian entities in Horizon 2020, Creative Europe and Erasmus +.
33. The Council acknowledges the importance of Norway as one of the EU's main trade partners and reiterates its interest in achieving further liberalisation of trade in agricultural products. The Council welcomes the launch in February 2015 of the negotiations within the framework of Article 19 of the EEA Agreement and strongly encourages the parties to actively continue their efforts to achieve further progress in the negotiations and conclude these shortly. The Council regrets that harmful tariff measures introduced by Norway in 2012 are still in force and calls on Norway to immediately reverse these measures.
34. The Council reiterates its invitation for Norway to actively engage, without delay, in a proper and constructive negotiation process on the liberalisation of trade in processed agricultural products (Protocol 3 to the EEA Agreement).
35. The Council takes note with regret of the suspension of the negotiations between the EU and Norway on the protection of geographical indications and hopes that these negotiations will resume soon.

36. The Council reaffirms its strong support for the maintenance of the internationally-agreed moratorium on commercial whaling established under the International Whaling Commission and for the listing of cetaceans and other marine species under the Convention on International Trade in Endangered Species (CITES). It therefore calls upon Norway to respect the internationally-agreed moratorium on commercial whaling established under the IWC and to withdraw its reservations under CITES for these and other marine species.
37. The Council acknowledges the close cooperation with Norway in a broad range of other areas, such as fisheries and maritime affairs and looks forward to continuing and further deepening this cooperation.
38. Regarding cooperation under the EEA Agreement, and with a view to ensuring the homogeneity of the single market *acquis* throughout the entire EEA, the Council invites Norway to continue its efforts to fulfil its obligations under the Agreement regarding the timely incorporation and implementation of EEA relevant EU legislation.
39. The Council takes note of the state of play on the negotiations for an agreement between the EU and Norway on administrative cooperation, combating fraud and recovery of claims in the field of value-added tax and invites the EU and Norway to continue and to complete the negotiations as soon as possible on that basis. The aim of the negotiations is to establish a common European framework for administrative cooperation between EU Member States and Norway in the field of VAT in order to exchange information and best practices and cooperate for the recovery of claims in a manner similar to the way it takes place between Member States.

EUROPEAN ECONOMIC AREA

40. The Council notes that the EEA Agreement has continued to function in a satisfactory manner in the last two years, maintaining its key role in advancing economic relations and Single Market integration between the EU and the EEA EFTA States.

41. The Council welcomes the adoption of the EEA Joint Committee Decisions on the first package of legal acts relating to the EU Regulations on the European Supervisory Authorities in the area of financial services. The Council also stresses the importance of promptly incorporating and applying the other outstanding legislation in the field of financial services as soon as possible.
42. The Council notes that, despite all efforts, there is still an important number of legal acts for which the compliance date in the EU has passed but which have not entered into force in the EEA EFTA States as their incorporation into the EEA Agreement has been delayed. The Council stresses the need for the EEA EFTA States to continue their efforts towards a streamlined incorporation and application of EEA relevant legislation, in order to reduce the number of pending acts for incorporation and to ensure legal certainty and homogeneity in the EEA.

PRINCIPALITY OF ANDORRA, PRINCIPALITY OF MONACO AND REPUBLIC OF SAN MARINO

43. The Council notes with satisfaction that, over the past two years, relations with Andorra, Monaco and San Marino have continued to be characterised by a high level of stability and cooperation.
44. The Council welcomes the opening, on 18 March 2015, of negotiations between the EU and Andorra, Monaco and San Marino, with a view to concluding one or several Association Agreement(s) (the 'Agreement(s)') to provide for the participation of these countries in the EU's Single Market, as well as for cooperation with the EU in other policy areas.
45. The Council considers that the future Agreement(s) should be based on a number of fundamental principles, such as maintaining the good functioning and homogeneity of the Single Market and legal certainty, while at the same time taking into account the specificities of each country as well as their particular situations in line with the Declaration on Article 8 of the Treaty on European Union. In this context, the Council stresses the need for all parties to continue to make steady and concrete progress towards the finalisation of these negotiations.

46. Furthermore, the Council stresses the importance of establishing a coherent, efficient and effective institutional framework to underpin the Agreement(s) that, *inter alia*:
- a) includes a forum for consultation between parties to ensure the good functioning and proper implementation of the Agreement(s);
 - b) ensures the dynamic take-over of the EU *acquis* by the three countries;
 - c) provides for the uniform application and consistent interpretation of the provisions of the Agreement(s); and
 - d) includes a fair, effective and efficient dispute resolution mechanism.
47. The Council welcomes the continued cooperation with Andorra, Monaco and San Marino in the area of CFSP, including through close contacts in multilateral organisations and voluntary alignment with EU positions, declarations and restrictive measures on a case-by-case basis, and calls for this cooperation to be strengthened.
48. The Council welcomes the signing of protocols between the EU and Andorra, Monaco and San Marino respectively on the implementation of the Global Standard for Automatic Exchange of Financial Account Information, as developed by the OECD and endorsed by the G20, and looks forward to their complete and effective implementation within the agreed timelines.
49. The Council notes with satisfaction that Andorra, Monaco and San Marino have become members of the G20/OECD Inclusive Framework on Base Erosion and Profit Shifting (BEPS). The Council also notes that Andorra, Monaco and San Marino have yet to commit to and implement the principles and the criteria of the EU Code of Conduct on Business Taxation and urges them to do so without further delay.
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