



Council of the
European Union

047668/EU XXVI. GP
Eingelangt am 13/12/18

Brussels, 13 December 2018
(OR. en)

15561/18

AELE 67
EEE 52
N 69
ISL 49
FL 48
AND 5
MC 5
SM 6
MI 997
FISC 562

OUTCOME OF PROCEEDINGS

From: General Secretariat of the Council

To: Delegations

No. prev. doc.: 14661/18 AELE 57 EEE 47 N 61 ISL 45 FL 44 AND 4 MC 4 SM 5 MI 890
FISC 503 + COR 1

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

Delegations will find attached Council conclusions on a homogeneous extended internal market and EU relations with Non-EU Western European countries as adopted by the Council (General Affairs) on 11 December 2018.

COUNCIL CONCLUSIONS

ON A HOMOGENEOUS EXTENDED INTERNAL MARKET

AND EU RELATIONS WITH NON-EU WESTERN EUROPEAN COUNTRIES

The Council adopted the following conclusions:

1. In accordance with its conclusions of 13 December 2016, the Council has assessed the overall state of 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 2019. The Council will reassess the state of these relations in two years, as appropriate.

THE WESTERN EUROPEAN NEIGHBOURS OF THE EUROPEAN UNION

2. The non-EU Western European countries are the EU's closest partners in building a stronger, safer, more competitive and prosperous Europe. The Council emphasises the weight and importance the EU attaches to relations with all these special, like-minded partners. Our long-standing cooperation is based on shared fundamental values and interests and underpinned by our common heritage and history, as well as strong cultural and geographical ties. Economic integration within the framework of the extended EU internal market brings us together even more and frames the inter-dependency of our future prosperity and competitiveness. In the last two years, our close relations have been further enhanced by a number of initiatives across a wide range of strategic areas.
3. The Council reiterates that the strength of our economic integration depends on full respect for the four freedoms of the internal market. It is therefore the responsibility of all the States which already participate or wish to increase their level of participation in the extended internal market to ensure its integrity and homogeneity, as well as full respect for equal rights and obligations for both citizens and businesses.

4. The Council notes the excellent cooperation in areas of EU external action such as development aid, human rights and the rule of law, and the common foreign and security policy. The Council expresses its strong appreciation for the alignment of its closest Western European partners to the EU's foreign policy instruments and positions. The Council looks forward to the consolidation and strengthening of this alignment. Cooperation in international fora underpins the determination of the EU and its non-EU Western European partners to further strengthen multilateralism.
5. By virtue of geographical proximity, the EU and its non-EU Western European neighbours face common security challenges and are interdependent when it comes to ensuring national and regional stability. The Council strongly welcomes the EU's cooperation with Iceland, Liechtenstein and Norway in the area of justice and home affairs.
6. The Council takes note of the challenges for the joint management of fish stocks in the North-East Atlantic. Maintaining the important economic benefits these stocks provide, and avoiding overexploitation and subsequent stock declines, urgently requires comprehensive and fair management regimes to be agreed, involving all Parties having a management responsibility for these stocks, including Norway and Iceland.

REPUBLIC OF ICELAND

7. The Council appreciates the close cooperation with Iceland, in areas such as research, innovation, environment and climate change policy, and justice and home affairs. It stands ready to intensify this cooperation in all areas of mutual interest. Iceland is an important and reliable partner for the EU.
8. The EEA Agreement remains the cornerstone of our relations. In this regard, the Council wishes to commend Iceland for increasing the emphasis on and resources devoted to the EEA Agreement, including as regards the timely incorporation and implementation of EU legislation relevant to the EEA.

9. The robust economic recovery of Iceland after the 2008 financial and economic crisis is noteworthy. The Council welcomes the progress of the Icelandic Government's comprehensive plan for removal of capital controls without threatening the economic and financial stability of the country. The Council recalls that restrictions can only be implemented temporarily, on the basis of the provisions of Article 43 of the EEA Agreement.
10. The Council welcomes the entry into force on 1 May 2018 of the Agreements between the EU and Iceland on additional trade preferences in basic and processed agricultural products and on the protection of geographical indications for agricultural products and foodstuffs. These agreements express the willingness of the parties to promote and develop trade in quality products, benefiting consumers, farmers and industries both in Iceland and in the EU.
11. The EU has a strong interest in building on and further developing its existing cross-sectoral engagement in the Arctic. Iceland is a close and reliable partner on Arctic issues. The Council therefore looks forward to developing this special partnership in order to fully tap into the opportunities that the Arctic presents, in particular in the areas of research and science, action to enhance climate change resilience and pollution prevention. The Council also looks forward to Iceland's upcoming chairmanship of the Arctic Council for the period 2019-2021. The Council welcomes Iceland's continued strong support for the EU to be given observer status in the Arctic Council.
12. Recalling its conclusions of December 2016, 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 urges Iceland to move away from commercial whaling when the current five-year quota expires at the end of 2018, 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.

PRINCIPALITY OF LIECHTENSTEIN

13. Relations between the EU and Liechtenstein are very good and dynamic, and have further intensified since 2016. The Council appreciates the continued excellent cooperation with Liechtenstein in the areas covered by the EEA and Schengen Agreements, as well as in other areas. Cooperation has increased in the area of foreign policy.
14. The Council looks forward to further deepening the EU's constructive cooperation with Liechtenstein, notably within the framework of the United Nations, the Council of Europe and the OSCE, in particular on issues such as strengthening the rule of law, respect for human rights, international criminal justice, and tackling financial crime and money laundering.
15. The Council notes with satisfaction that Liechtenstein is sharing its extensive experience in the EEA and other agreements with the EU with other small-sized Western European countries.
16. Liechtenstein's participation in the Automatic Exchange of Information on tax as an 'early adopter' of the Common Reporting Standard, exchanging information from September 2017, is a very welcome contribution to the huge global changes in tax transparency in recent years.
17. The Council welcomes the constructive, transparent and open cooperation with Liechtenstein, aimed at ensuring that the principles and all the criteria of the EU Code of Conduct on Business Taxation are applied. In this regard, it welcomes in particular the swift completion in 2018 of the legislative process to address the issues identified by the EU Code of Conduct Group. The progress made was acknowledged by ECOFIN on 2 October 2018.

KINGDOM OF NORWAY

18. Norway is a close and longstanding partner of the EU. The EU and Norway cooperate in addressing many common challenges, such as climate change, migration, and the protection of our citizens. Over the course of the last two years, the overall relationship has remained excellent. The Council welcomes the Strategy for Cooperation with the EU (2018-2021) adopted by the Norwegian Government on 9 May this year.
19. The Council welcomes the continued strong cooperation with Norway in the areas of Common Foreign and Security Policy (CFSP) and Common Security and Defence Policy (CSDP) and confirms the EU's commitment to strengthening this cooperation further. Norway has made visible contributions to the CSDP over the years, including participation in several EU-led missions. Cooperation between the EU and Norway is based on shared values, notably respect for human rights and democratic principles, and extends to mediation, peace-building and the international agenda for development.
20. The EU and Norway share a strong sense of responsibility towards our citizens, our natural environment and our future generations. The Council welcomes Norway's clear willingness to continue to be a driving force for international climate cooperation, and to work to fulfil the Paris commitments, together with the EU.
21. The Council welcomes Norway's Arctic Strategy of March 2017, which lays out Norway's vision for a peaceful, innovative and sustainable High North, and the policies for achieving this vision. In particular, the Council welcomes Norway's continued support for the EU's engagement in the Arctic, including in the context of the Arctic Stakeholder Forum, and for the EU becoming an observer in the Arctic Council. The EU and Norway are also key partners in addressing ocean-related issues, at both global and regional level. There is close cooperation in the areas of fisheries and maritime affairs, research and innovation, and education and culture, as well as in many more areas.

22. Norway remains a key supplier of oil and gas for the EU, but it is also a close partner in developing other sources of energy. Our close cooperation remains crucial for the EU's energy security and for the objectives of the Energy Union.
23. The Council welcomes the signing on 6 February 2018 of the Agreement between the EU and the Kingdom of Norway on administrative cooperation, combating fraud and recovery of claims in the field of value added tax.
24. The Council acknowledges the importance of Norway as one of the EU's main trade partners, and welcomes the entry into force on 1 October 2018 of the Agreement between Norway and the EU concerning additional trade preferences in basic agricultural products. The Council firmly reiterates its invitation to Norway to actively engage, as a priority and without delay, in a constructive negotiation process on the liberalisation of trade in processed agricultural products within the framework of Article 2(2) and Article 6 of Protocol 3 to the EEA Agreement. The Council also calls on Norway to resume the negotiations on the protection of geographical indications, which is an important element of international trade in agricultural products and foodstuffs.
25. 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 urges Norway to cease issuing whale quotas, 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.

EUROPEAN ECONOMIC AREA

26. The Council notes that the EEA Agreement has continued to function in a satisfactory manner. The Council welcomes the incorporation of some very important pieces of legislation into the EEA Agreement during the last two years, such as the Paediatric Regulation, the Organic Production Package and the General Data Protection Regulation. The latter represents the most significant reform in data protection in the last 20 years. The Council calls for increased efforts with a view to the swift implementation of pending legislation, such as the Third Energy Package, Offshore Safety Directive, Third Postal Directive, and Genetically Modified Organisms and Anti-Money Laundering legislation.
27. Although more than half of the EU legal acts pending incorporation are still in the area of financial services, the Council notes that efforts have been strengthened in this area and that several key acts were incorporated in recent months. In this regard, the Council reiterates that the principles of homogeneity and legal certainty guarantee the efficiency, sustainability and ultimately the credibility of the Internal Market and must therefore continue to guide all parties in relation to the functioning of the EEA Agreement.
28. The Council welcomes the contribution of Iceland, Liechtenstein and Norway to reducing social and economic disparities in the EEA for the period 2014-2021, through the EEA and Norwegian Financial Mechanisms. This contribution is beneficial for the whole EEA.
29. The Council welcomes the progress made in the negotiations on and the signing of Memoranda of Understanding with most of the beneficiary countries for the 2014-2021 funding period. The Council looks forward to the swift development, approval and implementation of all programmes, which will create a positive impact on the ground in all the priority sectors envisaged. In particular, the support for a free and vibrant civil society in the EEA should be highlighted.

30. The Council points out that Article 19 of the EEA Agreement provides that the Contracting Parties should continue their efforts to achieve progressive liberalisation of trade in agricultural products and, to this end, should carry out, at two-yearly intervals, reviews of the conditions of trade in agricultural products, with a view to exploring possible concessions.
31. The UK's withdrawal from the EU also raises important questions for the EEA EFTA States. The Council underlines the importance of safeguarding the EEA Agreement, ensuring the continuation of a well-functioning, homogeneous EEA and preserving the integrity of the internal market. The close dialogue and continuous exchange of information that has been established between the EU and the EEA EFTA States on the negotiations between the EU and the UK under Article 50 of the Treaty on European Union regarding the withdrawal of the UK from the EU should be maintained and, if necessary, intensified in the last stages of the process.
32. The EU and the EEA countries have confirmed their support for the EEA Agreement on many occasions. The Council notes with satisfaction the increased focus on public outreach and on communication efforts, to increase the awareness of the importance of the EEA Agreement in advancing economic integration between the EU and the EEA EFTA States and in safeguarding our common interests.

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

33. The Council notes with satisfaction that, over the last two years, the very good relations between the EU and Andorra, Monaco and San Marino have further intensified. They have been marked particularly by increased interaction between the EU and the three partners, as well as progress in the negotiations with a view to concluding one or several Association Agreements (the 'Agreement').

34. The Council points out that the Agreement provides for the participation of Andorra, Monaco and San Marino in the EU's internal market, and for cooperation with the EU in other policy areas. The Council notes with satisfaction that the negotiations on the Agreement, opened on 18 March 2015, are now entering their decisive phase. The Council welcomes, *inter alia*, the positive progress with Andorra on the tobacco sector and encourages all parties to actively continue their efforts to achieve a swift finalisation of these negotiations, which might preferably result in a single agreement with three country-related protocols and annexes on the *acquis*.
35. The EU is fully committed, and stands ready to work towards finalising the discussions on the framework of the Agreement by spring 2019. The Council is aware that negotiations on the takeover of the relevant *acquis* by the three partners will have to continue. In this respect, the Council encourages Andorra, Monaco and San Marino to continue strengthening their administrative capacity and to seek cooperation with partners including Member States. This will help ensure swift *acquis* takeover during and after the negotiations, as well as efficient management, monitoring, implementation and enforcement of the Agreement by all parties.
36. The Council points out that the high degree of integration with Andorra, Monaco and San Marino envisaged by the future Agreement should be based, *inter alia*, on the shared values of Andorra, Monaco, San Marino and the EU treaties, the four freedoms of the internal market and related horizontal and flanking policies, the establishment of a level playing field, good tax governance and strong and resilient institutional foundations. The Council reiterates that the future Agreement should be based, furthermore, on maintaining the good functioning and homogeneity of the internal market and legal certainty, while simultaneously taking into account the specificities of each country and their particular situations, in line with the Declaration on Article 8 of the Treaty on European Union.

37. The Council reiterates the importance of establishing a coherent, efficient and effective institutional framework to underpin the Agreement; this should notably:
- a) include a forum for consultation between the parties to ensure the good functioning and proper implementation of the Agreement;
 - b) ensure the dynamic takeover of the EU *acquis* by the three countries;
 - c) provide for the uniform application and consistent interpretation of the provisions of the Agreement; and
 - d) include a fair, effective and efficient dispute resolution mechanism.
38. The Council highlights the importance of adapting the labour and social security legislation and practices of Andorra, Monaco and San Marino to EU and international standards.
39. The Council welcomes the ongoing efforts made by Andorra, Monaco and San Marino to adapt their tax legislation and practices to EU and international standards. The Council notes that, in April and July 2018, the OECD's Global Forum on Transparency and Exchange of Information for Tax Purposes declared Monaco and San Marino to be 'compliant' with the international standard on the exchange of information on request.
40. The Council welcomes the constructive, transparent and open cooperation with Andorra, Monaco and San Marino aimed at ensuring that the principles and all the criteria of the EU Code of Conduct on Business Taxation are applied. In this regard, the Council recalls that Monaco was found compliant with these principles and criteria by ECOFIN on 5 December 2017. The Council also welcomes the swift completion by Andorra and San Marino of their respective legislative processes to address the issues identified by the EU Code of Conduct Group on Business Taxation by the end of 2018. The progress made by Andorra and San Marino has been acknowledged by ECOFIN on 4 December 2018.
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