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Subject:	Council Conclusions on a homogeneous extended Internal Market and EU relations with non-EU Western European countries and with the Faroe Islands

Delegations will find attached Council conclusions on a homogeneous extended internal market and EU relations with non-EU Western European countries and with the Faroe Islands as adopted by the Council (General Affairs) on 21 June 2022.

COUNCIL CONCLUSIONS ON A HOMOGENEOUS EXTENDED INTERNAL MARKET AND EU RELATIONS WITH NON-EU WESTERN EUROPEAN COUNTRIES AND WITH THE FAROE ISLANDS

1. In accordance with its conclusions of 11 December 2018, 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 has also assessed the state of EU relations with the Faroe Islands as a self-governing country within the Kingdom of Denmark and to which EU treaties do not apply.
2. Following its conclusions of 19 February 2019, the Council will revert to the overall state of EU relations with the Swiss Confederation.
3. The Council will reassess the state of these relations in two years, as appropriate.

THE WESTERN EUROPEAN NEIGHBOURS OF THE EUROPEAN UNION

4. The non-EU Western European countries are the EU's closest partners in building a stronger, safer, greener, more competitive and prosperous Europe. The Council recalls the weight and importance the EU attaches to relations with all these special, like-minded partners that are highly integrated with the EU. 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.
5. The Council recognises the importance of unity regarding the Russian Federation's unprovoked and unjustified military aggression against Ukraine. It commends the alignment of Iceland, Liechtenstein and Norway with EU statements and restrictive measures against the Russian Federation. The Council welcomes the decisions taken by Andorra, Monaco and San Marino, as well as the Faroe Islands, to implement equivalent restrictive measures. It also expresses appreciation for other actions in line with the EU and its Member States to counter the military aggression by the Russian Federation, including in the multilateral fora.

6. 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 four years, our close relations have been further enhanced by a number of initiatives across a wide range of strategic areas.
7. 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.
8. The COVID-19 crisis has highlighted the necessity and advantages of standing united and tackling common challenges together. The EU Digital COVID Certificate system, used by the EEA EFTA States and, following the adoption of equivalency decisions, by Andorra, Monaco, and San Marino, as well as the Faroe Islands, successfully facilitated cross-border travel. The high degree of integration through the EEA Agreement provides us with excellent tools to address these challenges jointly with the EEA EFTA States. Further challenges caused by the pandemic require a well-functioning Internal Market, including the Digital Single Market, and strong investments in key industrial sectors, which will be essential for sustaining economic recovery. With Andorra, Monaco and San Marino, the COVID-19 crisis highlighted the need for further integration. The Council welcomes Andorra, Monaco and San Marino's participation in the EU Health Security Committee and supports participation in Joint Procurement Agreements to procure medical countermeasures for serious cross-border threats to health.

9. The Council is fully committed to stepping up global efforts to tackling climate change, pursuing sustainable energy transition, energy efficiency and sustainable mobility, and protecting biodiversity and the environment as a whole. Continued close cooperation between the EU and the EEA EFTA States, as well as enhanced dialogue with Andorra, Monaco and San Marino, on these issues is very important.
10. The Council notes the excellent cooperation in areas of EU external action such as the common foreign and security policy (CFSP), development aid, democracy, human rights and the rule of law, and stresses the importance of close and systematic political dialogue. The Council expresses its strong appreciation for the alignment of its closest non-EU Western European partners to the EU's common foreign and security policy instruments and positions, most recently the strong support of EU positions at multilateral level, and the restrictive measures imposed following the Russian Federation's military aggression against Ukraine as of 24 February 2022. The Council looks forward to the further continuation of this strong alignment with CSFP declarations and restrictive measures which is key for European unity and global security.
11. The Council highlights the need to continue and enhance cooperation in international fora between the EU and its non-EU Western European partners to further strengthen multilateral, rules-based world order and work jointly on shared priority issues, including human rights, gender equality, peace and security, and fight against climate change.
12. By virtue of their geographical and political 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. In this context, we underline the importance of the energy security and also cooperation and mutual support in the field of security of energy supplies, which is a particularly relevant example of the interdependence in the EEA. The Council strongly welcomes the EU's cooperation with Iceland, Liechtenstein and Norway in the area of justice and home affairs and encourages the EEAS and the Commission to explore opportunities in this respect with Andorra, Monaco and San Marino.

13. The Council takes note of the unilateral actions by some parties and the consequent 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, Iceland and the Faroe Islands.

REPUBLIC OF ICELAND

14. The Council appreciates the close cooperation with Iceland, in areas such as research, innovation, energy, environment and climate change policy, foreign policy, human rights, gender equality, and justice and home affairs. The Council welcomes the successful participation of Iceland in the EU's COVID vaccination effort. It stands ready to intensify this cooperation in all areas of mutual interest. Iceland is an important like-minded and reliable partner. The EU welcomes Iceland's high level of alignment with the EU on CFSP, as well as the cooperation with Iceland in international fora.
15. The EEA Agreement remains the cornerstone of our relations. In this regard, the Council wishes to commend Iceland for its efforts to increase the emphasis on the EEA Agreement, including with a view to reducing the EEA transposition deficit.
16. The Council welcomes the good cooperation with Iceland on the application and implementation of the Schengen acquis and its developments and encourages Iceland to strengthen its participation to the implementation of the Asylum acquis.

17. The new EU Arctic Policy focusing on climate change, environmental issues, sustainable development and international cooperation demonstrates the Union's strong interest in building on, and further developing, its existing cross-sectoral engagement in the Arctic. The Council encourages Iceland to promote with the EU this strategy, including through high-level participation in relevant fora. Iceland is a close and reliable partner on Arctic issues and the Council looks forward to intensifying this special partnership particularly in the areas of research and science, action to enhance climate change resilience and pollution prevention. The Council commends Iceland's chairmanship of the Arctic Council in 2019-2021, with its overarching theme of sustainable development. It welcomes Iceland's continued strong support for the EU to be given observer status in the Arctic Council and for EU participation in relevant fora such as the Arctic Circle Assembly.
18. Recalling its conclusions of December 2018, the Council reaffirms its strong support for the maintenance of the internationally agreed moratorium on commercial whaling established under the International Whaling Commission (IWC) and for the listing of cetaceans and other marine species under the Convention on International Trade in Endangered Species (CITES). Taking good note of recent encouraging signals from Iceland in these regards, the Council reiterates its calls on moving away from commercial whaling, 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.
19. The Council welcomes Iceland's pledge to reduce greenhouse gas emissions and encourages progress towards meeting the Paris Agreement commitments. In view of the green transition, the EU looks forward to strengthening cooperation with Iceland and to exchanging know-how on renewable energy and safe and sustainable low carbon technologies, including hydrogen and carbon capture storage. The Council notes that Iceland joined the Global Methane Pledge at the 26th UN Climate Change Conference of the Parties (COP26) in November 2021.

PRINCIPALITY OF LIECHTENSTEIN

20. Relations between the EU and Liechtenstein are very good and dynamic, and have further intensified and diversified since 2018. The Council appreciates the continued excellent cooperation with Liechtenstein in the areas covered by the EEA and Schengen/Dublin Agreements, as well as in other areas. The Council welcomes Liechtenstein's high and reliable transposition rates within the EEA and appreciates in particular the efforts aimed at jointly addressing common challenges, including digital transition, climate change and the post-COVID 19 economic recovery. It considers worthwhile to further discuss best practices with Liechtenstein in areas of mutual interest, such as block chain regulatory regimes.
21. The Council welcomes the increasing cooperation between the EU and Liechtenstein in justice and home affairs since 2011, when Liechtenstein joined the Schengen area and started to participate in the Dublin system. In that regard, the Council encourages Liechtenstein to continue its participation in the relocation process of asylum seekers.
22. The Council looks forward to further deepening the EU's constructive cooperation with Liechtenstein in international fora, notably within the framework of the United Nations, the Council of Europe and the OSCE, in particular in fields such as human rights, international criminal justice, multilateralism and youth engagement.
23. The Council welcomes the commitment to the Paris Agreement and goals for climate neutrality by 2050 at the latest. The Council notes that Liechtenstein joined the Global Methane Pledge at COP 26 in November 2021. Liechtenstein's across-the-board approach to sustainability is well in line with the EU Green Deal.

24. The Council welcomes Liechtenstein's participation in the Automatic Exchange of Information between tax authorities as an 'early adopter' of the Common Reporting Standard, exchanging information from September 2017. It has contributed to the huge global changes in tax transparency in recent years.
25. 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 the legal framework put in place on transparency and exchange of information for tax purposes, confirmed by the Global Forum of the OECD to be largely compliant with OECD standards for exchange of information on request. The Global Forum also confirmed in November 2021 that the legal framework of Liechtenstein for automatic exchange of financial account information is fully in place.

KINGDOM OF NORWAY

26. Norway is a close, reliable and longstanding partner of the EU. The EU and Norway cooperate in addressing many common challenges, such as climate change, green transition, the COVID-19 pandemic, migration and the protection of our citizens. Over the course of the last four years, the overall relationship has remained excellent. The EU congratulates Norway for its constructive role in the UNSC and its dedication for peace and security.

27. 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) further strengthened by the EU-Norway structured dialogue on security and defence launched in March 2021. Over the years, Norway has made visible contributions to the CSDP, including participation in several EU-led missions as well as most recently in the PESCO project "Military Mobility". This close partnership in security and defence has also been reflected in the EU Strategic Compass, adopted in March 2022, with a clear EU objective to deepen this relationship even further. 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.
28. 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 contribute to the implementation of the European Green Deal, to continue to be a driving force for international climate cooperation, and to work to fulfil the Paris Agreement commitments, together with the EU. The Council notes that Norway joined the Global Methane Pledge at COP 26 in November 2021. The Council also takes note of the Norwegian government's objectives with regard to the circular economy.
29. Norway remains a reliable 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 and is a corner stone for the mutually beneficial relationship between the EU and Norway, especially in the present geopolitical situation caused by the Russian military aggression against Ukraine.

30. The Council welcomes Norway's Arctic Strategy of 2020, which lays out Norway's vision for a peaceful, innovative and sustainable High North, founded on regional institutions. 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 to become 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.
31. The Council acknowledges the importance of Norway as one of the EU's main trade partners, and recalls the expected regular review of the Agreement between Norway and the EU aiming at the exchange of additional trade preferences in basic agricultural products. The Council regrets the lack of progress and 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 reiterates its call to resume the negotiations on the protection of geographical indications, which is an important element of international trade in agricultural products and foodstuffs.
32. In response to challenges for the joint management of fish stocks in the North-East Atlantic, the Council reaffirms its willingness to reach bilateral and multilateral arrangements that ensure responsible and sustainable management of the fisheries on key resources. The Council also expresses its concern on the unilateral decision regarding the planned beam trawl prohibition from 1st October.

33. The Council reaffirms its strong support for the maintenance of the internationally agreed moratorium on commercial whaling established under the International Whaling Commission (IWC) 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 fully 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

34. The Council notes that the EEA Agreement has continued to function in a satisfactory manner despite the challenges posed by the COVID-19 pandemic. The Council welcomes the incorporation of some very important pieces of legislation into the EEA Agreement during the last four years, such as the Tobacco Product Directive, the Third and Fourth Railway Packages, the acts establishing the Body of European Regulators for Electronic Communications (BEREC) and the European Electronic Communications Code, the EU Digital COVID Certificate legislation, the Market Abuse Regulation, as well as the Waste Directive. The Council calls for increased efforts with a view to the swift implementation of pending legislation, such as the Ship Inspection Package, the Audiovisual Media Services Directive, legislation in the area of aviation safety, and in the area of energy.
35. Despite all efforts, the number of EU acts pending incorporation into the EEA Agreement, so-called backlog, still remains high. 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 therefore must continue to guide all parties in relation to the functioning of the EEA Agreement.

36. The Council welcomes the unconditional contribution of Iceland, Liechtenstein and Norway to reducing social and economic disparities and in supporting a free and vibrant civil society in the EEA for the period 2014-2021, through the EEA and Norwegian Financial Mechanisms, with a view to the EEA EFTA States' benefits from accessing the Internal Market. This contribution is beneficial for the whole EEA. The Council hopes for a swift agreement on the Financial Mechanisms for the period 2021-2027 in view of a timely provision of the contribution to all the Beneficiary Member States.
37. 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.
38. With regard to the United Kingdom's withdrawal from the EU, 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 established between the EU and the EEA EFTA States on the withdrawal of the United Kingdom contributed to the smooth adaptation.
39. The EU and the EEA EFTA States 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

40. The Council notes with satisfaction that, over the last four years, the very good relations between the EU and Andorra, Monaco and San Marino have further intensified.
41. The Council welcomes the progress in the negotiations launched in March 2015 with a view to concluding one or several Association Agreements (the 'Agreement') and notes with satisfaction that they are now set to enter a decisive phase. It looks forward to further substantial progress, notably on politically sensitive issues, with the objective to finalizing the discussions on the Agreement by the end of 2023.
42. 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 highlights that the high degree of integration with the three partners envisaged by the future Agreement should be based, *inter alia*, on mutual interests and shared values, the four freedoms of the internal market and related horizontal and flanking policies, the establishment of a level playing field, tax good governance and alignment on *acquis*, notably in the financial sector, as well as strong and resilient institutional foundations. The Council reiterates that the future Agreement should be based on maintaining the good functioning and the 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.

43. The Council welcomes the progress made on the common part of the Agreement, in particular in view of establishing a coherent, efficient and effective institutional framework. This should notably include institutional mechanisms for consultation between the parties to ensure the good functioning and proper implementation of the Agreement, ensure the dynamic takeover of the EU *acquis* by the three countries, provide for the uniform application and consistent interpretation of the provisions of the Agreement and include a fair, effective and efficient dispute resolution mechanism.
44. The Council welcomes the general progress made in the negotiations on the alignment on the relevant *acquis* by Andorra, Monaco and San Marino. It notes with satisfaction the strengthening of the three partners' administrative capacity and cooperation with Member States, which should be further continued to help ensure a swift alignment on *acquis* during and after the negotiations, as well as robust supervision and enforcement in line with EU standards, in particular in the field of financial services. In this regard, the Council encourages the Commission to work in a timely manner on possible ways forward for the supervision of financial services in view of a satisfactory solution to all parties.
45. The EU is committed as a priority to step up the pace in the negotiations and to swiftly tackle politically sensitive issues related to the four freedoms in order to move towards the finalisation of the negotiations, which might preferably result in a single agreement with three country-related protocols and annexes on the *acquis*, by the end of 2023. It encourages all parties to actively continue their efforts in this direction. The establishment of a roadmap leading to 2023 is a necessary step in this regard.

46. The Council welcomes that a mutually satisfactory solution has been found on a transition period for the tobacco sector in Andorra. It highlights the need to engage discussions swiftly on the other political issues with the three partners. It underlines that exceptions to the rules of the single market must be justified and proportionate in scope and duration. It recalls the importance of respecting the principle of free movement of people within the Single Market and adapting the labour and social security legislation and practices of Andorra, Monaco and San Marino to EU and international standards. Joining the International Labour Organization would also contribute to the adaptation of this legislation.
47. The Council notes the communication efforts made by Andorra, Monaco and San Marino on the Agreement, in particular the actions taken by the government of Andorra to inform and consult the public on the outcome of the negotiations, and encourages them all to continue with these efforts as an important factor for the success of these negotiations in this last phase.
48. On foreign policy, the Council welcomes the continued cooperation with these like-minded partners in multilateral fora in particular in the UN framework, including through close contacts and alignment with EU positions, declarations and implementation of equivalent restrictive measures, highlighted in particular in response to the Russian Federation's unprovoked and unjustified military aggression against Ukraine. The Council supports a further reinforcement of the cooperation through the setting up of a framework for bilateral political dialogues on foreign policy with each of the countries and a structured and systematic process for their alignment with the EU on CFSP matters. The cooperation should be further consolidated and strengthened, notably by including Andorra, Monaco and San Marino in the group of countries that are systematically invited to formally align with CFSP Declarations by the High Representative on behalf of the EU and EU restrictive measures.

49. The Council welcomes the constructive, transparent and open cooperation with Andorra, Monaco and San Marino aimed at ensuring that the international principles on tax good governance and all the criteria of the EU Code of Conduct on Business Taxation are applied. The Council also welcomes the ongoing efforts made by Andorra, Monaco and San Marino to adapt their tax legislation and practices to EU and international standards. It underlines the need for a complete alignment with EU standards to avoid creating loopholes within the Single Market.
50. The Council notes with satisfaction that Andorra joined the International Monetary Fund and the Council of Europe Development Bank (CEB) in 2020, which led to two loans by the CEB, and contributed to Andorra's objective of diversifying its economy in the medium and long term. The request of Andorra to be considered by the European Investment Bank as an operational country is also under consideration and a response is expected soon.
51. The Council also considers it worthwhile for the cooperation to be strengthened in the field of digital and green transitions, as these are common priorities with Andorra, Monaco and San Marino. As regards ocean protection, the Council commends Monaco's participation in the High Ambition Coalition on Biodiversity beyond National Jurisdiction. The Council welcomes San Marino's inclusion in the European Union Strategy for the Adriatic and Ionian Region (EUSAIR) and looks forward to enhanced cooperation in that framework.
52. The Council encourages all stakeholders to carry out more public outreach in order to increase the awareness of the relation's mutual potential key role in achieving a greater convergence of positions on international organizations, fostering economic diversification and advancing economic integration between the EU and Andorra, Monaco and San Marino.

THE FAROE ISLANDS

53. The Council considers that the strategic location of the Faroe Islands in the North Atlantic means that the Faroe Islands are an important partner of the EU with regard to several of the EU policies, including with regards to EU Arctic Policy. The Council values the existing cooperation with the Faroe Islands in areas such as trade, aquaculture, research, innovation and Arctic and North Atlantic issues within the Parties' fields of competences.
54. The Council welcomes the signing of the Agreement on the participation of the Faroe Islands to EU programmes and on the association of the Faroe Islands to Horizon Europe. The Council highlights the green transition in the Faroe Islands and projects to develop sustainable energies and would welcome further cooperation with the EU in this field.
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