



Brussels, 16 December 2014
(OR. en)

16583/14

**AELE 62
EEE 79
N 35
ISL 38
FL 8
CH 46
AND 6
MC 6
SM 6
MI 984
FISC 227**

OUTCOME OF PROCEEDINGS

From: General Secretariat of the Council
To: Delegations
No. prev. doc.: 16325/1/14 REV 1 AELE 61 EEE 78 N 34 ISL 37 FL 7 CH 45 AND 5 MC 5
SM 5 MI 976 FISC 224
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 16 December 2014.

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

1. In accordance with its conclusions of 20 December 2012, the Council has assessed the overall state of the relations of the EU with the Republic of Iceland, the Principality of Liechtenstein, the Kingdom of Norway, and with the Swiss Confederation. Taking into account the development of the relations with the Principality of Andorra, the Principality of Monaco and the Republic of San Marino, these countries have been included. The Council will reassess the state of these relations in two years as appropriate.

THE WESTERN EUROPEAN NEIGHBOURS OF THE EUROPEAN UNION

2. The relations with these seven special partners are important for the EU, which shares with them not just geography and history, but interests, values, internal and external borders, a common European identity, and robust market economies deeply integrated in the extended Single Market of the EU. The Council emphasizes that the extended Single Market and the partnership between the EU and the Western European countries that are not members of the Union are the best guarantee of long-term shared prosperity and key in ensuring peace and stability in Europe.
3. The relations of the EU with the Western European countries that are not members of the Union are excellent. They have developed over the years beyond the dimension of the integration of economies and markets to cover most EU policies. Still, economic integration remains at their very core and has direct implications both for the European market as a whole, and for its citizens, workers and businesses. In the autumn of 2012, mirroring similar exercises carried out by its Western European neighbours, the EU carried out a comprehensive review of the different modalities of this integration. The Commission published the Staff Working Document “A review of the functioning of the European Economic Area” and the Communication “EU Relations with the Principality of Andorra, the Principality of Monaco and the Republic of San Marino”. The Council also reviewed EU relations with Switzerland.

4. The Council emphasizes that the EU should have a consistent approach towards non-EU partners that participate in the extended Single Market, and are equated with EU Member States for the purposes of this participation. It notes that it is the responsibility of all the States, which participate in the extended Single Market to ensure its integrity and homogeneity, and that their citizens and businesses enjoy fully and equally their rights within it. It also notes that, while establishing an internal market, the Union promotes economic and social cohesion, and solidarity among Member States. It welcomes the scrutiny of the proper functioning of the extended Single Market by the European Parliament, and by the national parliaments of all States that participate in it.
5. The Council reviewed the EU's cooperation with the Western European countries that are not members of the Union in some areas of EU external action: development aid, cooperation in multilateral fora, common foreign and security policy, including human rights and restrictive measures. It noted that the cooperation of these countries with the EU in these areas is excellent, and that, in most instances, their action is in consort with EU action or complementary. It welcomes and stands ready to further this natural alliance.

PRINCIPALITY OF LIECHTENSTEIN

6. The Council commends Liechtenstein for its continued excellent rate of implementation of EEA relevant EU acquis, as well as its efforts to bring about solutions to pending issues regarding the incorporation of relevant EU acquis into the EEA Agreement. The Council notes with satisfaction that Liechtenstein is sharing its extensive experience in implementing EU acquis as a small-sized country with other Western European small-sized countries, which are interested in extending their participation in the EU's internal market.
7. The Council takes good note of the fact that Liechtenstein is not only a financial, but also an industrial centre with dynamic sectors, such as parapharmaceuticals, engineering and high technology.

8. The Council recalls the conclusions of the European Council on 20-21 March 2014 inviting Liechtenstein to commit fully to implementing the new single Global Standard for automatic exchange of financial account information developed by the OECD and endorsed by the G20. In this context, the Council welcomes the commitment by Liechtenstein to an early adoption of the OECD Global Standard on automatic exchange of financial account information.
9. The Council notes with satisfaction that the on-going negotiations on the revision of the savings taxation agreement are based on the automatic exchange of financial account information, reflecting the evolution of the corresponding EU acquis and recent international developments. Recalling the European Council conclusions of 20-21 March 2014 calling on the Commission to carry forth the negotiations with a view to concluding them by the end of the year, the Council emphasizes the importance of a swift conclusion of these negotiations for a revised agreement, in order to ensure consistency with the updated EU acquis and international developments, in particular the new single Global Standard for automatic exchange of financial account information developed by the OECD.
10. With regard to the dialogue on tax measures which constitute harmful tax competition, the Council strongly encourages Liechtenstein to strengthen the dialogue with the EU with the aim of applying the principles and all the criteria of the EU Code of Conduct on Business Taxation.
11. The Council welcomes the continued good cooperation with Liechtenstein in a number of other areas, in particular in the area of Common Foreign and Security Policy. In this context, the Council commends the active commitment of Liechtenstein to human rights issues in the UN system.

REPUBLIC OF ICELAND

12. EU relations with Iceland were marked in the past years by negotiations on Iceland's accession to the EU, which were suspended by the Icelandic government in May 2013, and the ensuing discussions in Iceland on its future European policy.

13. While fully respecting the decision of the Icelandic government to suspend negotiations, the Council again underlines its belief that Iceland's accession is a matter of mutual benefit and stands ready to continue the negotiating process in line with the requirements of the Negotiating Framework, should Iceland decide to resume the negotiations. The Council has taken note of the intention of the Icelandic government to further develop Iceland's European policy based on intensified cooperation under the EEA Agreement, and will follow with interest the concretisation of this policy approach.
14. Regarding cooperation under the EEA Agreement, and in view of ensuring the homogeneity of the internal market acquis throughout the EEA, the Council urges Iceland to swiftly and substantively increase its political and administrative efforts to fulfil its obligations under the Agreement regarding the timely incorporation and implementation of the EEA relevant EU legislation. The Council encourages the Icelandic government to more actively pursue its announced policy of efficiently implementing the EEA Agreement.
15. The Council welcomes the continued economic recovery of Iceland while encouraging the Icelandic authorities to continue addressing remaining economic issues, in particular capital controls, by making further progress in implementing their strategy aimed at gradually lifting the controls in line with envisaged macroeconomic and financial stability conditions. The Council emphasizes that restrictions can be implemented temporarily on the basis of the provisions of Article 43 of the EEA Agreement.
16. The Council encourages Iceland to make further progress in setting up its system for the protection of geographical indications, and the two sides to resume the negotiations on the liberalisation of trade in processed and non-processed agricultural products, as well as on the protection of geographical indications. The Council urges Iceland to enact envisaged legislation on the protection of geographical indications as soon as possible, in order to allow for a simultaneous conclusion of negotiations in the above-mentioned areas.

17. Regarding cooperation in fisheries, the Council recalls the conclusion, in March this year, of a five-year arrangement between some of the Coastal States (the EU, Norway and Faroe Islands) on the management of mackerel stock, and notes that it leaves open the possibility for the fourth Coastal State, Iceland, to join at a later stage.
18. The Council expresses its concern regarding the Icelandic Government's continued authorisation to hunt fin and minke whales and calls upon Iceland to respect the internationally-agreed moratorium on commercial whaling, established under the International Whaling Commission, and to withdraw its reservations under the Convention on International Trade in Endangered Species (CITES) for these and other marine species.
19. The Council appreciates the excellent cooperation with Iceland, which was further strengthened in the past two years in particular in the areas of Justice and Home Affairs, Common Foreign and Security Policy (CFSP), as well as environment and climate change (especially in the context of the United Nations Framework Convention on Climate Change (UNFCCC) and with regard to the joint fulfilment of the Kyoto Protocol). The Council stands ready to intensify the cooperation with Iceland in these and other areas of mutual interest.
20. Concerning Arctic policy, the Council reiterates its interest to further strengthen cooperation, and welcomes the strong support of Iceland for the EU's observer status in the Arctic Council.

KINGDOM OF NORWAY

21. Relations with Norway remain close and stable, and have continuously deepened in the course of the past two years. In this context, the Council welcomes the new European policy approach taken by the Norwegian Government in follow-up to Norway's EEA review and the nomination of a Minister of EEA and EU Affairs at the Office of the Prime Minister of Norway, as well as the publication, on 11 June 2014, of the government's new strategy for cooperation with the EU "Norway in Europe 2014-2017". The Council looks forward to the implementation of this new policy approach.

22. The Council appreciates the very close cooperation with Norway in the area of Common Foreign and Security Policy (CFSP). The Council looks forward to the continuation of this close cooperation, based on shared values, such as the importance attached to democracy, the rule of law and human rights.
23. Regarding cooperation in the area of energy, the Council notes with satisfaction that Norway remains a reliable partner of the EU as key 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 has not yet been implemented in Norway, and calls for increased efforts in view of a swift incorporation into the EEA Agreement. 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), and looks forward to continuing this cooperation.
24. Concerning Arctic policy, the Council reiterates its interest to further strengthen cooperation, and welcomes the continued strong support of Norway for the EU's observer status in the Arctic Council.
25. The Council attaches particular importance to achieve further liberalisation of trade in agricultural products with Norway. Therefore, the Council welcomes the imminent launch of negotiations with Norway on the liberalisation of trade in basic agricultural products under Article 19 of the EEA Agreement, and hopes for substantive progress in these negotiations. Furthermore, the Council recalls the intentions voiced in 2013 by the Norwegian government, which led the EU to expect the withdrawal of certain harmful tariff measures, and calls on Norway to reverse these measures. The Council invites Norway to open negotiations with the EU on the liberalisation of trade in processed agricultural products. Finally, the Council stresses the importance of well-functioning trade procedures and underlines the need of continuing the close cooperation with Norway in this area.

26. 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 calls upon Norway to reconsider its position on these issues.
27. Regarding cooperation under the EEA Agreement, and in view of ensuring the homogeneity of the internal market *acquis* throughout the entire EEA, the Council urges Norway to swiftly and substantively increase its efforts to fulfil its obligations under the Agreement regarding the timely incorporation and implementation of EEA relevant EU legislation.

EUROPEAN ECONOMIC AREA

28. The Council acknowledges the key role played by the EEA Agreement throughout the last 20 years in advancing economic relations and internal market integration between the EU and the EEA EFTA States. It notes that, overall, cooperation under the EEA Agreement with the three EEA EFTA countries Norway, Iceland and Liechtenstein functions well.
29. The Council welcomes the signing in April 2014 with the EEA EFTA States of an agreement extending the EEA Agreement to Croatia, and of three related agreements. Furthermore, the Council welcomes the participation of the EEA EFTA States in numerous EU programmes for the period 2014-2020, covering a broad range of subjects, including research, education, civil protection, satellite navigation, environmental issues and cooperation in the area of health.

30. The Council commends the solidarity shown by Norway, Iceland and Liechtenstein through the EEA and Norwegian Financial Mechanisms (2009-2014), aimed at reducing social and economic disparities in the EEA, and expresses its satisfaction on the success of the projects and initiatives funded by these Mechanisms. It appreciates the common understanding of all parties with regard to the continuous need to further alleviate these disparities. In view of the importance of persisting disparities, including disparities resulting from extraordinary high levels of youth unemployment, and in the light of the expiry of the previous Financial Mechanisms on 30 April 2014, the Council calls for renewed efforts of solidarity to swiftly conclude ongoing negotiations on the renewal of these Mechanisms. The Council also takes note of the on-going negotiations, in parallel with the Financial Mechanism negotiations, on bilateral issues between each of the EEA EFTA States and the EU, and calls for a swift conclusion of these negotiations.
31. The Council expresses its satisfaction at the agreement between the EU and the EEA EFTA side, as noted by the EU and the EEA EFTA Ministers of Finance and Economy in their informal meeting of 14 October 2014, on the principles for the incorporation into the EEA Agreement of the EU Regulations establishing the European Supervisory Authorities in the area of financial services. The Council hopes that the technical work preparing the incorporation of these Regulations will be finalised as soon as possible.
32. The Council nonetheless notes with concern the recurrent backlog and delays incurred during the entire process of incorporation of EU legislation into the EEA Agreement, as well as in the implementation and enforcement of relevant legislation in the EEA EFTA states. In this context, the Council strongly emphasizes the need for renewed efforts in order to ensure homogeneity and legal certainty in the European Economic Area.

33. While welcoming efforts made by the EEA EFTA States over the last years to step up the pace of incorporation, the Council regrets that these efforts were still insufficient to effectively and comprehensively address the existing problems. It notes in particular that the questioning of the EEA relevance of EU legislation by the EEA EFTA states, the extensive use made of the possibility under the Agreement to request adaptations and exceptions, as well as delays in the clearance of constitutional requirements and in the implementation and enforcement of already adopted EEA legislation in the EEA EFTA states contribute to a fragmentation of the internal market and to asymmetric rights and obligations for economic operators. The Council encourages the EEA EFTA states to actively work towards a sustainable and streamlined incorporation and application of EEA relevant legislation as this is paramount to safeguard the overall competitiveness of the European Economic Area.

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

34. The Council notes with satisfaction that the relations of the EU with Andorra, Monaco and San Marino are marked by a high level of stability and cooperation.
35. The Council welcomes the stated intention of Andorra, Monaco and San Marino to develop closer relations with the EU, in particular with regard to their increased participation in the internal market, and commends their initiatives to bring their legislation closer to the EU *acquis* and strengthen their administrative capacity.
36. The Council reiterates its commitment to building closer ties with Andorra, Monaco and San Marino, and recalls its position expressed in its conclusions of December 2013 that a closer association with the three States is in the interest of the EU. It looks forward to deepening and strengthening the current relations with them, which are extensive but fragmented, taking into account the importance of a coherent approach.

37. In this context, the Council welcomes the Recommendation to open negotiations with Andorra, Monaco and San Marino on one or several Association Agreement(s), submitted by the Commission to the Council last March, and looks forward to the launch of negotiations once the EU internal procedures to authorize the opening of negotiations have been concluded. The Council will aim in these negotiations at the fullest possible implementation of the principles of the European single market, while taking into account the particular situation of these three countries in line with the Declaration on Article 8 of the Treaty on European Union.
38. The Council is convinced that stronger and deeper relations with Andorra, Monaco and San Marino will contribute to the consolidation of a Europe founded on the values of respect for human dignity, freedom, democracy, the rule of law and respect for human rights and fundamental freedoms, equality and solidarity, and to the promotion of these values on the international scene.
39. The Council commends the cooperation with Andorra, Monaco and San Marino in the area of foreign policy, including coordination in international fora and the voluntary alignment of the three states to EU positions and declarations on a case-by-case basis, and calls attention to the importance of the alignment to EU restrictive measures. It stands ready to explore with the three countries possibilities for furthering this cooperation.
40. The Council recalls the conclusions of the European Council of 20-21 March 2014 inviting Andorra, Monaco and San Marino to commit fully to implementing the new single Global Standard for the automatic exchange of financial account information developed by the OECD and endorsed by the G20. In this context, the Council welcomes the commitment of Andorra, Monaco and San Marino to adopt the OECD Global Standard on automatic exchange of financial account information and in particular the commitment taken by San Marino to an early adoption of the Standard.

41. The Council notes with satisfaction that the ongoing negotiations on the revision of the savings taxation agreements between the EU and respectively Andorra, Monaco and San Marino, are based on the automatic exchange of financial account information, reflecting the evolution of the corresponding EU acquis and recent international developments. Recalling the European Council conclusions of 20-21 March 2014 calling on the Commission to carry forth the negotiations with a view to concluding them by the end of the year, the Council emphasizes the importance of a swift conclusion of these negotiations for revised agreements, in order to ensure consistency with the updated EU acquis and international developments, in particular the new single Global Standard for automatic exchange of financial account information developed by the OECD.
42. The Council strongly encourages Andorra, Monaco and San Marino to commit to and implement the minimum standards of good governance in tax matters including the principles and criteria of the EU Code of Conduct on Business Taxation.

SWISS CONFEDERATION

43. Increasingly close relations between the EU and Switzerland over the past decades have contributed to stability and prosperity in Europe. The Council is convinced that it is in the interest of both the EU and Switzerland to strengthen their relations on a basis which fully respects the legal principles of the Single Market.

44. The Council reaffirms that by participating in parts of the EU's internal market and policies, Switzerland is not only engaging in a bilateral relation but becomes a participant in a multilateral project. It has taken note of the reconfirmation by the Swiss Federal Government in December 2013 of its attachment to a sectoral approach. The EU believes that an ambitious and comprehensive restructuring of the existing system of sectoral agreements would be beneficial to both the EU and Switzerland. A precondition for further developing a bilateral approach remains the establishment of a common institutional framework for existing and future agreements through which Switzerland participates in the EU's internal market, in order to ensure homogeneity and legal certainty in the internal market. The Council welcomes the opening of negotiations on such a framework in May 2014, expects further efforts in order to progress with these negotiations and reiterates that without such a framework no further agreements on Swiss participation in the internal market will be concluded. Furthermore, before deciding on the conclusion of these institutional negotiations, as well as of any other negotiations related to the access of Switzerland to the single market, the Council will carry out a comprehensive assessment of EU-Swiss relations. Agreements in other areas will be considered carefully, and the EU will appraise the balance of interest on a case-by-case basis.
45. The Council has taken note of the outcome of the vote in Switzerland on a popular initiative "Against Mass Immigration" on 9 February 2014, as well as of the implementation concept presented by the Swiss Government in June 2014. While fully respecting the internal democratic procedures of Switzerland, the Council reconfirms the negative reply in July 2014 to the Swiss request to renegotiate the Agreement. It considers that the free movement of persons is a fundamental pillar of EU policy and that the internal market and its four freedoms are indivisible. The Council confirms its view that the planned implementation of the result of the vote threatens to undermine the core of EU-Switzerland relations, namely the so-called "bilateral I agreements", and casts doubt on the association of Switzerland to the Schengen and Dublin acquis and the participation of Switzerland in certain EU programmes. The Council also takes note of the resounding rejection of very strict limits to immigration as foreseen by the so-called "Ecopop" initiative of 30 November.

46. The EU expects Switzerland to honour its obligations arising from the Agreement on the free movement of persons and the other agreements concluded with the EU. Furthermore, the Council expects Switzerland to fully ensure that EU citizens working or living on its territory, regardless of the moment of settlement and taking up employment in Switzerland, can exercise or continue to exercise their acquired rights without any restriction, and with the guarantee that the outcome of the popular initiative would not have a negative impact on them. In case of infringements of the above principles, the Council reserves its right to put an end to the abovementioned institutional negotiations and other internal market related negotiations.
47. The Council strongly regrets that following the popular vote of 9 February, Switzerland was no longer in a position to sign the Protocol extending the Agreement on the Free Movement of Persons to Croatia. The Council has taken note that Switzerland has unilaterally introduced measures to avoid discrimination of Croatian citizens. However, the Council remarks that Croatian nationals working or living in Switzerland are discriminated, as these unilateral measures fall short of the provisions of the Protocol and, contrary to citizens from other Member States, Croatian nationals cannot rely on an international agreement. The Council reaffirms that the principle of non-discrimination, including equal treatment of all EU Member States, the right to exercise an economic activity and reside on the territory of the other party, as well as the standstill clause, constitute the essential basis of the EU's consent to be bound by the Agreement on the free movement of persons.
48. The Council recalls the conclusions of the European Council on 20-21 March 2014 inviting Switzerland to commit fully to implementing the new single global standard for automatic exchange of financial account information developed by the OECD and endorsed by the G20. In this context, the Council welcomes the commitment of Switzerland to adopt the OECD Global Standard on Automatic exchange of financial account information and the approval by the Federal Council on 19 November 2014 of the declaration on the signature of the Multilateral Competent Authority Agreement.

49. The Council notes with satisfaction that the on-going negotiations on the revision of the savings taxation agreement are based on the automatic exchange of financial account information, reflecting the evolution of the corresponding EU acquis and the recent international developments. Recalling the European Council conclusions of 20-21 March 2014 calling on the Commission to carry forth the negotiations with a view to concluding them by the end of the year, the Council emphasizes the importance of a swift conclusion of these negotiations for a revised agreement, in order to ensure consistency with the updated EU acquis and the international developments, in particular the new single Global Standard for automatic exchange of financial account information developed by the OECD.
50. With regard to the dialogue on tax measures which constitute harmful tax competition, the Council welcomes the signature of a joint Statement between EU Member States and Switzerland on company tax issues and strongly encourages Switzerland to effectively and swiftly remove the five tax regimes concerned.
51. The Council welcomes the continued cooperation with Switzerland in the area of Common Foreign and Security Policy (CFSP), in particular Switzerland's participation in the EU's CSDP operations and missions and its voluntary alignment to restrictive measures of the EU on a case-by-case basis. It particularly commends the commitment shown by Switzerland in 2014 as Chair of the OSCE, and its role played in addressing the Ukraine crisis. The Council regrets however, that Switzerland has not fully aligned itself with the EU's restrictive measures in respect of actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine and in view of Russia's actions destabilising the situation in Ukraine. It also invites Switzerland to make all possible efforts to prevent circumvention of EU's restrictive measures.
52. The Council recalls that the financial contribution of Switzerland aimed at reducing economic and social disparities in the EU was part of a broader agreement leading to the conclusion of nine sectoral agreements with Switzerland. Following the expiry in June 2012 of this contribution, the Council urges Switzerland to engage in negotiations on its renewal in line with the EU principles and the benefits Switzerland draws from its participation in the internal market.