EUROPEAN ECONOMIC AREA

EEA CONSULTATIVE COMMITTEE

RESOLUTION OF THE EEA CONSULTATIVE COMMITTEE

of 26 June 2002

on enlargement and the future of the EEA

(2003/C 67/04)

1. Background

1.1. The Consultative Committee of the European Economic Area (EEA-CC) is composed of representatives of the key socioeconomic interest groups in the 18 EEA Member States. The Committee acts as a voice for workers, employers and other actors of organised civil society in these countries and forms part of the EEA institutional set-up.

1.2. The following resolution on Enlargement and the future of the EEA was adopted at the 10th meeting of the EEA-CC in Egilsstadir, Iceland, on 26 June 2002. The rapporteurs were Mr Jon Ivar Nålsund from the EFTA Consultative Committee (CSC), and Mr Filip Hamro-Drotz from the European Economic and Social Committee (EESC).

2. Introduction

2.1. The EEA Consultative Committee (EEA-CC) has given priority to the forthcoming enlargement of the EU and the EEA, as manifested in the resolutions on Priorities and challenges in preparations of the enlargement of the European Union (1) of March 1999 and on the Free movement of workers in the context of enlargement (2) of November 2001.

2.2. As EU enlargement negotiations are reaching their final stage and the settlement of the tools and procedures for EEA enlargement is imminent, this resolution focuses less on the substance of these negotiations than on the procedures for EEA enlargement and ways of ensuring that it takes place for the mutual benefit of citizens and businesses throughout the EEA. The resolution will also take stock of the state of play in EEA cooperation at this defining moment in the history of the European Economic Area and look towards the future of an enlarged EEA.

3. The status of the EEA Agreement

3.1. Ten years have passed since the EEA Agreement was signed on 2 May 1992 in Oporto. In terms of fulfilling its ultimate goal of creating an internal market with a homogeneous legal framework throughout the European Economic Area, the EEA Agreement performs satisfactorily. Equal conditions of competition and common rules in other areas related to the Internal Market ensure that enterprises and economic actors are given the same treatment throughout the EEA.

3.2. However, at the same time as the EEA has lived up to the objective, which was devised at the outset, the context in which the Agreement operates has changed considerably.

3.3. First, the political weight of the EEA/EFTA States decreased significantly with the accession of Austria, Finland and Sweden to the EU, and the EFTA part of the EEA market is now considerably smaller, both in geographical and economic terms (3). With EU enlargement, the relative weight of the EFTA side in EEA cooperation will further diminish. An enlarged and more heterogeneous European Union also means that the risk of one State in the EU Council objecting to additions to the EEA Agreement increases, if qualified majority voting is not extended to relations with non-EU States.

3.4. Secondly, within the EU cooperation between Member States has intensified considerably in a number of fields which have consequences for how the internal market functions. While the EEA Agreement was negotiated on the basis of the Treaty of Rome, the subsequent Maastricht and Amsterdam Treaties have altered the European architecture both in substance and structure. Enlargement is well underway: a new common currency, the euro, has emerged; and cooperation on justice and home affairs has been strengthened. Furthermore, the Lisbon Strategy with its soft laws, peer review and benchmarking, has provided the EU with new methods of cooperation. Catching up with some of the key developments in the EU since the EEA Agreement was negotiated represents a major challenge for safeguarding the future sustainability of the Agreement.

3.5. The EEA Agreement was negotiated between the European Community of 12 Member States and the seven members of EFTA, accounting for almost 25 % of the EC’s total external trade. Today, the three EEA/EFTA States combined account for less than 5 % of the EU’s external trade.

(1) C/20/R/003 — CES 1477/98 (rapporteurs: Hamro-Drotz/Skúlason/ Brunhart).
(2) C/20/R/008 — DI 53/2001 (rapporteurs: Jaschick/Gudmundsdóttir/ Taddei).
(3) The EEA Agreement was negotiated between the European Community of 12 Member States and the seven members of EFTA, accounting for almost 25 % of the EC’s total external trade. Today, the three EEA/EFTA States combined account for less than 5 % of the EU’s external trade.
3.5. In order to ensure the legal homogeneity of the internal market, the EEA-CC calls on the parties to the EEA Agreement to update the Agreement, so as to incorporate those changes to the EC Treaty introduced by the Maastricht and Amsterdam Treaties, which are of relevance to the EEA.

4. EU and EEA enlargement

4.1. The forthcoming EU enlargement will also involve the enlargement of the EEA. When the EU candidate countries become members of the EU they must, according to Article 128 of the EEA Agreement, also apply to become a party to the EEA Agreement (1).

4.2. The enlargement of the EU and of the EEA has the support of the EEA-CC, as it will benefit citizens, consumers and economic operators alike — both in the current EEA countries and in the acceding Member States. The EEA-CC appreciates the considerable progress made in the enlargement negotiations on the EU side and calls on the European Commission and the EU Member States to keep up the momentum and conclude the negotiations with the most advanced EU candidates before the end of 2002.

5. Opportunities in an enlarged EU/EEA

5.1. The enlargement of the EU will benefit Europe as a whole. Therefore, the success of the enlargement process is just as important for the EFTA countries as for the EU and other European countries. EU enlargement represents the peaceful reunification of Europe after years of painful division and conflict, which marked the twentieth century. The lesson learnt from the past is that integration is the only instrument to overcome the past and to build up a peaceful, stable and prosperous future in Europe. Enlargement will not only extend to a wider group of countries stability and security, but it will also consolidate the political and economic transition that has taken place in central and eastern Europe in the last decade.

5.2. An enlarged internal market will create an array of new opportunities. With half a billion people, the European Economic Area will become the world's largest internal market with an open border-free area where goods, services, capital and persons can circulate freely. The enlarged internal market will not only be larger in physical terms, but it will also be enriched and strengthened by its new diversity.

5.3. The expansion of the EEA into central and eastern Europe will mean intensified competition for businesses and industry throughout the EEA and new opportunities will be provided by an enlarged internal market. Economic actors will in general benefit from a more secure and stable business environment in the central and eastern European countries and economic growth in the area. Moreover, the market in financial services — an area not covered by current free trade agreements — will grow.

6. Enlargement: Challenges faced by the EEA/EFTA States

6.1. EU/EEA enlargement beneficial to all parties involved

6.1.1. The EEA-CC's overall assessment of EU/EEA enlargement is that it will be highly beneficial to all parties involved. Enlargement does, however, present the EEA/EFTA States with certain specific challenges which should be addressed.

6.1.2. At the most general level, EU enlargement represents a challenge to the EEA/EFTA States in that the imbalance between the EU and the EFTA pillars in the EEA will increase further. As for the more technical aspects of EEA enlargement, the procedures and timing have yet to be clarified, which gives cause for some concern. However, a most important specific challenge faced by the EEA/EFTA States is how enlargement will affect EEA/EFTA fisheries exports to the new members in central and eastern Europe.

6.1.3. All in all, however, the EEA-CC is of the view that the balance of arguments remains strongly in favour of EU/EEA enlargement.

6.2. Increased imbalance between the EFTA and EU pillars in EEA cooperation

6.2.1. The growing imbalance between the EFTA and the EU pillars in EEA cooperation will increase with EU enlargement, possibly resulting in further marginalisation of the EEA/EFTA countries in Europe. Gaining understanding for EFTA views in an EU of nearly 30 countries will represent a major challenge for the EEA/EFTA States.

6.2.2. Moreover, with more and more countries knocking on the door of the European Union, it has been necessary for the European Commission to make clearer distinctions between members and non-members. As far as EEA/EFTA participation in EC committees is concerned, this distinction does not always benefit the EEA/EFTA States.

6.2.3. Bearing all this in mind, the EEA-CC calls on the EEA/EFTA States to put more efforts into forging closer relations with the candidate countries, to ensure a better understanding between the two sides.

(1) Article 128.1 of the EEA Agreement stipulates the requirements for EEA enlargement:

'1. Any European State becoming a member of the Community shall, and the Swiss Confederation or any European State becoming a member of EFTA may, apply to become a party to this Agreement. It shall address its application to the EEA Council.'
6.3. Procedures for EEA enlargement

6.3.1. Although it would be politically unthinkable that the new EU Member States would not join the EEA, the Agreement contains somewhat unclear provisions for the enlargement of the EEA. It is, for instance, not clear from the EEA provisions when the States acceding to the EU should apply to become part of the EEA, what kind of negotiations are envisaged or when accession to the EEA should take place.

6.3.2. With possible conclusion of the first EU accession negotiations this year, not much time is left for reaching an agreement on EEA enlargement if the goal of simultaneous enlargement is to be achieved. The EEA-CC therefore regrets that discussions between the EU and the EEA EFTA States on the modalities for EEA enlargement were initiated only in 2001. It is however reassuring that rapid progress has been made over the last few months and that a common understanding has been reached between the EU and the EFTA States on the need for simultaneous enlargement of the EU and the EEA. The EEA Consultative Committee calls on both sides to ensure that an agreement on the tools for EEA enlargement will be established without delay.

6.3.3. Unlike the EU Member States, which participate in the accession negotiations, the EEA/EFTA States do not do so and therefore need adequate and regular information on the enlargement process in order to be able to prepare for substantive changes to the acquis. Given the practical need to conduct the ratification procedures for EEA and EU accession in parallel, in order to guarantee the homogeneity of the EEA, the information flow to the EFTA side on the enlargement process is all the more important. Uncertainty and lack of information about possible transitional periods is a concern. Efforts must be made to ensure that any transitional periods do not distort competition in the EEA.

6.3.4. The EEA-CC understands that EEA enlargement will, most likely, not require extensive additional negotiations. However, the Committee regrets that the EEA social partners have not been informed or consulted to a satisfactory degree, either on the procedure or on the substance of discussions. As enlargement will affect citizens and businesses alike, the EEA-CC reiterates the need to remedy this situation. In parallel, the EEA-CC accepts the shared responsibility to disseminate information about the EEA Agreement among social partners in the candidate countries.

(1) Article 128.2 of the EEA Agreement stipulates the terms and conditions for EEA enlargement:

‘2. The terms and conditions for such participation shall be the subject of an agreement between the Contracting Parties and the applicant State. That agreement shall be submitted for ratification or approval by all Contracting Parties in accordance with their procedures.’

6.4. Trade in fish and other marine products

6.4.1. A most important — and for the moment the best documented — challenge faced by the EEA/EFTA States with enlargement is the issue of fisheries exports to the new EU/EEA members in central and eastern Europe.

6.4.2. The EFTA States have free trade agreements (FTAs) with all the EU candidate countries except Cyprus and Malta. The agreements give duty free access for all industrial goods and seafood, with a few minor exemptions. With the candidate countries’ accession to the EU, these agreements will lapse and Protocol 9 to the EEA Agreement on trade in fish and other marine products will govern the terms of trade with the new Member States. Considering that the terms of Protocol 9 EEA are less favourable than the current FTAs, the consequence will be that trade in seafood between the EEA/EFTA States and the potential member States will suffer from enlargement. Furthermore, the duties that competitors in the EU today face when exporting to Central and Eastern Europe will be removed with enlargement, thus placing EEA/EFTA exporters at a double disadvantage.

6.4.3. When Austria, Finland and Sweden joined the EU, Norway and Iceland negotiated compensations for lost market access in seafood. They received a fixed, duty-free quota for the species affected, calculated on the basis of previous exports to these countries. Applying the same method for the Central and Eastern European countries would be far from satisfactory because it would in effect prevent Icelandic and Norwegian fish exporters from profiting from the expanding market for fish products in central and eastern Europe. Whereas Austria, Finland and Sweden were all well-established markets, the market for seafood in the central and eastern European countries is destined to grow substantially in the coming years. In the EEA-CC’s view, any arrangements for fish products must be forward looking, rather than a simple calculation of the trade that has taken place in the last few years.

6.4.4. Considering that trade in fish and other marine products represents a major exception from the general positive impact on EEA/EFTA businesses expected from enlargement, the EEA-CC calls on all parties to redouble their efforts to reach a suitable solution for EEA enlargement in this field.

7. Assistance to the EU/EEA candidate countries

7.1. Concerned with creating a level playing field throughout the enlarged EEA, the EEA-CC reiterates its previous opinion that the acquis should be applied strictly in the new Member States, in order to contribute to an improvement of social and environmental conditions.
Sustainable development and a functioning welfare system are indeed prerequisites for strong long-term economic growth. The EEA-CC therefore welcomes the increased focus by the EU on the actual application of the acquis in the candidate countries. The readiness of the EEA/EFTA States to participate in peer reviews of candidate countries is also a very positive example of how to get involved in the EU enlargement process. It will accelerate the catching up of the future Member States, at all administrative levels, and provide valuable experience to the EEA/EFTA States about conditions in these countries.

7.2. On the other hand, the candidate countries will need assistance in order to be able to apply the acquis without placing unmanageable demands on their public finances. Hence, it is to be expected that the EEA/EFTA States, like the EU-15 Member States, will be asked to make funds available to the new Member States. As such funding must be part of a broader picture, the EEA-CC urges the EEA/EFTA States to make concrete proposals in this field, taking active account of their own priorities. The experience from the management of the EEA Financial Mechanism and the EEA Financial Instrument will be useful in this respect. By making concrete proposals well in advance of the likely demand for them to make further financial contributions towards the cost of EU-EEA enlargement, the EEA/EFTA States can increase the scope for channelling these funds in a way which will also benefit EEA/EFTA interests in an enlarged EU.

8. Summary of conclusions and recommendations

8.1. 10 years after it was signed, the EEA Agreement still performs satisfactorily in that it fulfils the objective formulated at the outset. However, the context in which the Agreement operates has changed considerably with wide-ranging changes to the EC Treaty introduced at Maastricht and Amsterdam, in addition to other EU developments, which affect the functioning of the Internal Market. The EEA Consultative Committee calls for an update of the EEA Agreement in order to ensure the legal homogeneity of the Internal Market.

8.2. The enlargement of the EU and of the EEA has the EEA Consultative Committee's support, as it will benefit Europe as a whole and create an array of new opportunities for citizens, consumers and economic operators alike. The Committee calls on the EU to keep up the momentum and conclude the negotiations with the most advanced EU candidates before the end of 2002.

8.3. Enlargement does, however, present the EEA/EFTA States with certain specific challenges. At the most general level, the imbalance between the EU and the EFTA pillars in the EEA will increase further. To alleviate this problem, the EEA Consultative Committee advocates closer relations between the candidate countries and the EEA/EFTA States to ensure a better understanding between the two sides.

8.4. As for the more technical aspects of EEA enlargement, the procedures and timing have yet to be clarified, which gives cause for some concern. With possible conclusion of the first EU accession negotiations this year, not much time is left for reaching an agreement on EEA enlargement if the goal of simultaneous enlargement is to be achieved. The EEA Consultative Committee calls on both sides to ensure that an agreement on the tools for EEA enlargement will be established without delay.

8.5. A most important challenge faced by the EEA/EFTA States with enlargement is how it will affect EEA/EFTA fisheries exports to the new EU/EEA members in Central and Eastern Europe when the current free trade agreements with these countries lapse. Calling on all parties to focus efforts on reaching a suitable solution for EEA enlargement in this field, the EEA Consultative Committee is of the view that any arrangements for fish products must be forward-looking, rather than a simple calculation of the trade that has taken place in the last few years.

8.6. All in all, however, the EEA Consultative Committee is of the view that the balance of arguments remains strongly in favour of EU/EEA enlargement.

8.7. Concerned with creating a level playing field throughout the enlarged EEA, the EEA Consultative Committee emphasises the need for strict application of the acquis in the new Member States. At the same time, the Committee notes that it is to be expected that all EEA/EFTA States will be asked to make funds available to the new Member States. The Committee urges the EEA/EFTA States to make concrete proposals on ways to channel such possible funds in a manner which will also benefit EEA/EFTA interests in an enlarged EU.