

# EEA CONSULTATIVE COMMITTEE

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## RESOLUTION & REPORT

on

## THE EUROPEAN NEIGHBOURHOOD POLICY AND THE EEA

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Rapporteurs:

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## RESOLUTION ON

### THE EUROPEAN NEIGHBOURHOOD POLICY AND THE EEA

The Consultative Committee of the European Economic Area (EEA CC)

- A. noting the Commission's Communication on *Wider Europe: A new framework for relations with our Eastern and Southern neighbours* COM (2003) 104 final and the Council Conclusions on Wider Europe – New Neighbourhood from 16 June 2003,
  - B. noting the Commission's Strategy Paper on European Neighbourhood Policy COM (2004) 373 final,
  - C. noting the resolution by the EEA Joint Parliamentary Committee on *The Wider Europe and the EEA* of 27 November 2003,
  - D. noting the Opinion by the European Economic and Social Committee on *A Wider Europe – Neighbourhood* of 10-11 December 2003 (CESE 1622/2003),
  - E. noting that the EFTA countries already have contractual relations with nine out of the fourteen so-called *New Neighbouring* countries,
1. supports the EU's overall objective to ensure that no new dividing lines emerge in Europe and the aims to create a common area of economic development and social progress;
  2. urges the EEA EFTA States to further develop socio-economic and trade relations with the Russian Federation, reflecting and linking up to the process of developing closer ties between the EU and Russia;
  3. calls on the EEA EFTA States to examine their socio-economic and trade relations with the eastern neighbours, Ukraine, Moldova and Belarus, who have hardly been included in cross-border co-operation so far;
  4. supports the assessment in the Opinion of the EESC that the EEA is not a suitable model for relations with the neighbourhood and welcomes and supports the Commission's recent Strategy Report that greatly clarifies the policy's objective;
  5. welcomes the forthcoming Action Plans, that will be more operational, and calls upon the EEA EFTA States to study the proposed measures, and where feasible, to mirror these actions;

6. appreciates the joint ownership of the process of identifying priority areas under the Action Plans, but calls for consultations and involvement of the various stakeholders, including non-EU and non-ENP neighbours (EFTA), civil society organisations and social partners;
  7. welcomes the focus of the Action Plans on the promotion of economic and social policy, contacts between civil society organisations and participation in specifically designed education and training programmes for the neighbours such as 'Tempus Plus';
  8. calls for increased activities by all concerned to promote the respect for human rights and civil society development, on the one hand, and facilitate contacts between businesses and the social partners, on the other hand;
  9. calls for strong efforts to improve the conditions for trade and cooperation in all areas;
  10. calls for people-friendly arrangements to enable easier free movement of people. Also calls for increased cross-border cooperation to combat problems arising from organised crime, trafficking and illegal migration on the EU's new external border;
  11. recommends the support of projects in the following priority areas:
    - develop and involve of independent civil society organisations in the implementation of the policy;
    - more emphasis on promoting social dialogue and good industrial relations;
    - measures to improve business conditions and economic co-operation;
    - environmental co-operation projects;
  12. calls on the EEA EFTA States to continue the established dialogue with the Commission on the further development of the policy and to identify possible areas of co-operation.
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## **BACKGROUND REPORT ON THE EUROPEAN NEIGHBOURHOOD POLICY AND THE EEA**

### **I BACKGROUND**

1.1 The Consultative Committee of the European Economic Area (EEA CC) is composed of representatives of the key socio-economic interest groups in the twenty-eight EEA Member States. The Committee acts as a voice for workers, employers and organisations representing various interests in these countries and forms part of the EEA institutional set-up.

1.2 The following resolution on the *European Neighbourhood Policy* was adopted at the 12<sup>th</sup> meeting of the EEA CC in Montreux, on 23 June 2004. The rapporteurs were **Ms Pernille Aga** from the EFTA Consultative Committee (EFTA CC) and **Ms Karin Alleweldt** from the European Economic and Social Committee (EESC).

### **II INTRODUCTION**

2.1 As a result of enlargement, the EU has acquired a new external border and new neighbours. Against this background, the EU is developing the European Neighbourhood Policy (ENP), which aims to deepen political and economic relations between the EU and its neighbours. This policy is directed at neighbours that are either currently excluded from, or deemed ineligible, for a perspective on EU membership. The policy's underlying objective is to avoid the emergence of new dividing lines between the enlarged EU and its neighbours and promote a broad area of security, stability and prosperity, based on shared values, democracy and the rule of law. It also looks to address specific issues and threats that arise from sharing and managing borders such as illegal migration, trafficking of narcotics, etc. Closer policy co-operation is foreseen in the political and cultural areas, security matters and social and economic development (including preferential trading arrangements and the gradual obtainment of a stake in the Internal Market).

2.3 The ENP will be one of the EU's key foreign policy priorities in the years ahead, as reflected in a number of EU documents, inter alia, the Commission's Financial Perspectives<sup>1</sup>, the initial Commission Communication of March 2003<sup>2</sup>, the Commission's Communication on the new Neighbourhood Instrument of July 2003<sup>3</sup> the Commission's recently published Strategy Paper<sup>4</sup> and

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<sup>1</sup> Commission Communication, Financial Perspectives, COM (2004) 101 final

<sup>2</sup> Commission Communication "Wider Europe-Neighbourhood: A New Framework for Relations with our Eastern and Southern Neighbours", COM (2003) 104 final

<sup>3</sup> Commission Communication "Paving the Way for a New Neighbourhood Instrument", COM (2003) 393 final

<sup>4</sup> Commission Communication of 12 May 2004, Strategy Paper on European Neighbourhood Policy, COM (2004) 373 final

Country Reports<sup>5</sup> for a number of countries. The European Economic and Social Committee adopted an Opinion on the policy on 11 December 2003<sup>6</sup>.

2.4 The EEA EFTA States have a direct stake and interest in the development of the European Neighbourhood Policy. While the EEA EFTA States are rightly not included in the geographical scope of the policy due to their privileged relationship with the EU through the EEA, they are part of the policy in many ways. The EEA EFTA States therefore consider themselves partners in this process and wish to be consulted. This Resolution focuses in particular on the EEA-relevant aspects of the policy. The EEA EFTA States have been in dialogue with the EU institutions regarding the policy. The Commission gave a briefing to the EEA EFTA States in the EEA Joint Committee in December 2003. The Foreign Ministers of the EEA EFTA States were invited to address the European Parliament's Foreign Affairs Committee on 17 March 2004 on the EEA and the European Neighbourhood Policy.

2.5 The policy builds on the EU's existing contractual relations with the neighbours concerned, such as the Partnership and Co-operation Agreements (PCAs) with Ukraine and Moldova and the Euro-Mediterranean partnership (Barcelona Process) for the Mediterranean countries. According to the Commission's recent Country Reports, these agreements have not been fully exploited in a number of areas. The Country Reports track progress in the implementation of the agreements and the domestic reforms carried out.

2.6 The Commission is currently preparing Action Plans that have been jointly agreed between the EU and its neighbours. The Action Plans will become crucial policy instruments for forging closer co-operation between the EU and the neighbours in the next three to five years. The Action Plans include five key areas for action: political dialogue and reform (including security); trade and preparatory measures for the gradual obtainment of a stake in the Internal Market; justice and home affairs; energy, transport, information society, the environment and research and innovation and social policy and people-to-people contacts. A key feature of the Action Plans is that they are operational and lay down clear benchmarks against which progress and reform can be measured. They also provide a point of reference for the programming of assistance. The Action Plans will be adopted by the respective Co-operation or Association Councils once they are ready, probably in summer 2004.

2.7 The policy is based on conditionality and differentiation: in return for political and economic reforms, the individual neighbour is offered closer co-operation with the EU in a number of fields and prepared for the gradual obtainment of a stake in the EU's Internal Market. The EU is proposing tools and mechanisms similar to those of the pre-accession strategy in the 1990s, albeit without the goal of EU membership. They include periodical progress reports, twinning and technical assistance.

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<sup>5</sup> Commission Staff Working Papers for Ukraine (SEC (2004) 564), Moldova (SEC (2004) 565), Tunisia (SEC (2004) 566), Morocco (SEC (2004) 567), Jordan (SEC (2004) 568), Israel (SEC (2004) 569), Palestinian Authority and Gaza Strip (SEC (2004) 570)

<sup>6</sup> Opinion of the European Economic and Social Committee on a Wider Europe – Neighbourhood: A New Framework for Relations with our Eastern and Southern Neighbours, CESE 1622/2003

### **III GEOGRAPHICAL SCOPE AND THE EASTERN DIMENSION**

3.1 The policy was initially devised to address the specific situation of the EU's new eastern neighbours: Ukraine, Belarus and Moldova. The coverage was subsequently extended to include Russia and ten of the southern Mediterranean countries (Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, the Palestinian Authority, Syria and Tunisia), as reflected in the Commission's Communication of March 2004. Following the European Council meeting on 17-18 June 2004 Armenia, Azerbaijan and Georgia were included in the Policy. The June 2004 European Council approved the extension of the policy to the three southern Caucasian states.

3.2 While the policy is now in favour of an all-encompassing strategy, there are nevertheless signs that the enlarged EU will have a stronger focus on the east and promote an Eastern Dimension, supported in particular by the new EU Member States such as Poland. The diverse geographical mix of countries, the varying level of integration with the EU and the different interests subsumed under the same policy still raise certain questions. It is, for example, questionable what the Mediterranean countries stand to gain from the policy at this stage given the already comprehensive level of trade integration in the Euro-Mediterranean Agreements.

3.3. Russia occupies a special position within the policy's framework.. While it is formally part of the ENP, the Commission notes in its Strategy Paper that Russia is a "key partner" and that the EU's "strategic partnership" will be developed further through the progressive establishment of a Common European Economic Space (CEES), a process distinct from the ENP. The CEES will focus on four sectors of the economy: cross-border trade in goods, services, establishment of companies and related aspects of movement of persons. The tools used will be market opening, regulatory convergence and trade facilitation.

3.4 While Ukraine, Moldova and Belarus are seeking closer co-operation with the EU they are also heavily linked to, in certain cases dependent on, Russia. Some countries are pursuing a two-track approach, both with the EU and Russia. It is therefore important to follow the development of alternative regional initiatives in the region, such as the common Eurasian economic space between Russia, Ukraine, Kazakhstan and Belarus, signed in September 2003.

### **IV INTERNAL MARKET AND OTHER EEA-RELATED ASPECTS**

4.1. The Neighbourhood Policy is of relevance to the EEA EFTA States in a number of ways. The EEA gained some prominence in the early days of the debate when the Commission in its March Communication explicitly referred to the EEA as a model for co-operation in the long term<sup>7</sup>. The European Economic and Social Committee rightly pointed out in its Opinion of December 2003 that the Commission's reference to the EEA did 'not represent a suitable model for the EU's neighbourhood policy', pointing to the different level of economic development between the EEA countries and the neighbours and their different prospects for EU membership.

4.2 The policy has recently undergone some clarification and refinement. The Strategy Paper of May 2004 only speaks of “gradually obtaining a stake in the Internal Market” and no longer makes reference to the EEA. The Strategy Paper provides value added to the debate in that it greatly clarifies the objectives of the policy and illustrates with a greater sense of realism the means of implementing the policy. This section looks in more detail at the proposed initiatives related to the Internal Market and other EEA-relevant areas of co-operation.

4.3. Insofar as the Neighbourhood Policy still offers a perspective on participation in the Internal Market and the participation in a number of EU programmes and activities, it has a direct impact on the EEA EFTA States. The EEA EFTA States therefore have a stake and interest in the further development of this policy. Apart from the trade aspects, there are other elements related to the EU policy that have a bearing on the EFTA countries. These are questions related to border management, which tackle the twin aims of improving security, while facilitating legitimate movement of goods and people.

4.4 It is through the Action Plans that the steps for progressive legislative and regulatory approximation will be laid down. One of the five key areas of the Action Plans is trade and preparatory measures for the gradual obtainment of a stake in the EU’s Internal Market and is therefore highly EEA-relevant. One of the proposed instruments through which the Commission is proposing to extend the Internal Market to the neighbours is the conclusion of Agreements on Conformity Assessment and Acceptance of Industrial Products (ACCAs) based on alignment of *acquis*. These agreements provide for the extension of the Internal Market in products by avoiding the need for duplication of testing and certification. Such agreements would entail the conclusion of parallel agreements on the EEA EFTA side which is an obligation under the EEA Agreement in line with Protocol 12.

4.5 Improving administrative co-operation and eliminating non-tariff barriers to trade in goods is also envisaged. Legislative approximation in the areas of customs along with capacity-building and computerisation are further measures suggested by the Commission. With respect to services, the Commission notes that legislative approximation in areas such as company law, accounting and auditing rules will be required. Regulatory convergence in fields such as intellectual property rights, public procurement and competition are also mentioned.

4.6. The Action Plans will also lay down steps to increase the dialogue on energy and co-operation and foster regulatory convergence. The possibility for the neighbours to participate in the Intelligent Energy Programme is an option. Increasing participation in the EU’s research and technological development activities as well as measures related to good environmental governance will be identified in the forthcoming Action Plans. The extension of the trans-European networks in transport, energy and telecommunications forms another component.

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<sup>7</sup> See page 15 of the Commission Communication of March 2003: “The longer term goal of the initiatives is to move towards an arrangement whereby the Union’s relations with the neighbouring countries ultimately resemble the close political and economic ties currently enjoyed with the European Economic Area.”

4.7 The ENP envisages the gradual opening of certain EU programmes and activities in the areas of education, training and youth, research, the environment, as well as culture and audio-visual to its neighbours. These are programmes in which the EEA EFTA States also participate, thus, allowing for co-operation. The YOUTH programme, which promotes people-to-people contacts and co-operation between civil society actors in the youth field, is mentioned especially. An education programme specifically targeted at the ENP countries is being considered (TEMPUS plus).

4.8 While the policy has become more realistic in its ambitions, there is still a question to what extent the prospect of a stake in the Internal Market - in the absence of the incentive of eventual EU membership - will provide sufficient incentive for neighbours to carry out the necessary legislative and regulatory approximation. It is noted that the Strategy Paper no longer mentions the free movement of persons as an ultimate goal, but speaks rather of facilitating local-border traffic.

## **V EFTA'S CURRENT RELATIONS WITH THE 'NEIGHBOURS'**

5.1. The EFTA countries are actors in the new neighbourhood with their own network of agreements. EFTA's approach is based on free trade agreements and Joint Declarations on Co-operation. Since the 1990s, EFTA has followed a policy of parallelism with the EU when conducting its third country policy. The policy has been guided by the desire to avoid discrimination on third country markets and assist in the process of regional co-operation and trade liberalisation. Given that one element of the ENP is to develop preferential trading arrangements with the neighbours in a first step, a useful starting point is to ask to what extent EFTA's existing contractual relations with the neighbours differ from the EU's approach. An overview table is contained in the Appendix to the Resolution.

5.2. Currently, EFTA has contractual relations with nine out of the fourteen neighbourhood countries. The exceptions include Russia, Moldova, Belarus, Syria and Libya. With the eastern neighbours, the only EFTA instrument concluded is a Declaration on Co-operation with Ukraine, concluded in 2000. In the Mediterranean region, EFTA has so far concluded five free trade agreements with Israel, Jordan, Morocco, Lebanon and the Palestinian Authority. Negotiations are ongoing with Egypt and Tunisia.

5.3. EFTA's free trade agreements differ in terms of scope from the EU's Partnership and Co-operation Agreements (PCA) and the Euro-Med Association Agreements. The EU's approach towards these countries is to go beyond trade liberalisation and pursue additional political and economic objectives and wider co-operation. The aim of the Euro-Med partnership is to promote political stability and social and cultural interaction. EFTA's objective has been to play a part in the Euro-Med partnership by shadowing the trade-related aspects. The EFTA countries participate on an equal footing with their EU counterparts in the Working Group with the Mediterranean partners on establishing a common system of rules of origin. In contrast to the Euro-Med agreements, however, the EFTA agreements do not contain political dialogue and economic co-operation.

5.4. The EU's PCAs also differ from EFTA's instruments. Aside from trade matters, the PCAs also include co-operation in a wide range of areas, supported by the EU's TACIS programme.

In addition, the EU's relationship with Russia and Ukraine is governed by 'common strategies', instruments of the EU's Common Foreign and Security Policy.

5.5. Against the background of parallelism, the prospect of greater economic and trade co-operation between the neighbours and the EU in the coming years has considerable implications for the EFTA States. EFTA would need to complete its network of agreements to avoid discrimination in relation to EU economic operators. An upgrade of existing agreements in the light of developments in the Euro-Med agreements could also be considered. The gap in the EFTA network is most clearly reflected in relation to the new eastern neighbours. The only EFTA instrument is the Declaration with Ukraine. EU trade with Ukraine, Moldova and Belarus is likely to increase as a result of economic links with Poland. The EU's policy thus raises the question about EFTA's policy response in this region.

5.6 As a result of the enlarged EU, Russia has become more important to the EU in economic terms and has become one of the EU's key trading partners since many of the new EU Member States share traditional trade links with Russia. Russia is also an important trading partner for the EFTA countries. EFTA-Russia trade in 2003 amounted to 2.961 billion US dollars. The EFTA countries have offensive trade and business interests in Russia. For Iceland and Norway, Russia constitutes an important export market for fish. Norway and Russia are jointly managing fish stocks in the Barents Sea and have common interests and concerns regarding the environment, marine activity and petroleum resources in the region. Russia is therefore a key regional neighbour also for the EFTA EEA States.

5.7. Given the EU's comprehensive policy approach to the neighbourhood and the various tools used, the question arises as to whether EFTA's current instruments are sufficient to shadow the neighbourhood policy. The EU will use Action Plans as the main new instrument to implement the policy in the next few years. These could contain elements that could be mirrored in EFTA's Declarations on Co-operation and the Free Trade Agreements.

## **VI THE ROLE OF SOCIAL PARTNERS AND CIVIL SOCIETY**

6.1. The ENP is strongly committed to shared values and political reforms in the areas of democracy, the rule of law and human rights. This social and democratic dimension of the policy calls for the various civil society organisations and stakeholders to be involved as they are crucial in the advocacy of human rights and democracy. The democratic reform process will ultimately also be conducive to economic and social development and vice versa. Measures to promote the respect for human rights and civil society development, on the one hand, and facilitate contacts between businesses and trade unions, on the other hand, should therefore be greatly encouraged.

6.2. Both the Commission's Country Reports and the EESC's Opinion record a growing number of civil society organisations active in many of the neighbouring countries. The Country Reports also assess the level of independence of the trade unions. Industrial relations still need to be improved. The ongoing talks on the formulation of Action Plans should involve consultations with the social and economic representatives in the EEA and in the partner neighbouring countries. As stated in the EESC's Opinion, representatives of civil society are very interested in the development of

contacts, as promoted by TAIEX, and in regular exchanges of experiences (for example, TWINNING) and in other European dialogue structures. Both the phases of formulation and implementation of the neighbourhood policy should therefore allow for transparent consultations with stakeholders beyond the existing bodies (Co-operation and Association Councils).

## **VII TECHNICAL AND FINANCIAL ASSISTANCE**

7.1 To accompany the policy, the EU is providing financial assistance through so-called neighbourhood programmes. These will operate within the current programmes PHARE, TACIS, INTERREG, CARDS and MEDA and support cross-border co-operation and regional development, such as transport and energy links. Once the EU has agreed the new financial perspectives after 2006, a new Neighbourhood Instrument<sup>8</sup> is envisaged that would have the advantage of bringing together the various initiatives into a single framework, allowing for the integration of both internal and external EU funding.

7.2 EFTA in its agreements and declarations with the neighbours does not have an EFTA counterpart to the EU's MEDA and TACIS programme of technical and financial assistance. EFTA technical co-operation consists of participation in and contribution to certain EU projects and programmes and a number of EFTA activities and projects under the free trade agreements and declarations on co-operation. Assistance to the Mediterranean countries is provided primarily on a bilateral basis.

7.3 The EFTA States have a well-founded interest in the proper functioning of the Internal Market. This also applies to initiatives to extend the Internal Market to third countries or neighbours. To ensure the efficient functioning of free trade agreements and mutual recognition agreements, the EFTA countries have in the past co-financed technical assistance activities related to the free movement of goods, notably in the areas of customs co-operation, alignment of technical legislation, quality infrastructure and statistics. EFTA co-financed activities under PHARE, MEDA, CARDS and INTERREG. In view of forthcoming EU initiatives related to customs co-operation and the extension of aspects of the Internal Market, the EFTA States should consider acting in parallel with the EU in certain areas.

## **VIII REGIONAL CO-OPERATION**

8.1. The EU's neighbourhood approach has an important regional dimension, building on the experience gained with existing regional initiatives and networking. Cross-border regional co-operation is to be a key feature of the neighbourhood programmes.

8.2. Iceland and Norway have been contributing to activities under the Northern Dimension Action Plan, the Nordic Council, the Baltic Sea Co-operation and the co-operation in the Barents Euro-Arctic region. The EFTA States have considerable experience in the region and valuable expertise in areas of interest to the neighbourhood policy, for example, in the field of energy networks

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<sup>8</sup> Commission Communication "Paving the Way for a New Neighbourhood Instrument", COM (2003) 393 final

and co-operation in sustainable development and the environment. Russia has, for example, been a focus country for Norway in the past few years. It is recalled that the poverty gap between Norway and Russia is one of the most pronounced in the neighbourhood. Bilateral Norwegian projects in Russia have centred on institution-building, the environment and nuclear safety, health, people-to-people issues etc.

8.3. There is a plethora of activities under the various fora (Northern Dimension, Council of Europe, Baltic Sea Council, Black Sea Economic Co-operation (BSEC) and Euroregions). It will be very important to ensure better coordination between the various regional initiatives and organisations involved. For the EEA EFTA States it is crucial that attention continue to be devoted to issues of Northern concern.

Appendix

**EFTA'S CONTRACTUAL RELATIONS WITH THE 'NEIGHBOURS'**

<b>COUNTRY</b>	<b>FTA Concluded</b>	<b>FTA under negotiation (Declarations concluded)</b>	<b>DECLARATION OF CO- OPERATION</b>
<b>Algeria</b>			<b>x</b>
<b>Egypt</b>		<b>x</b>	
<b>Israel</b>	<b>X</b>		
<b>Jordan</b>	<b>X</b>		
<b>Lebanon</b>	<b>X</b>		
<b>Morocco</b>	<b>X</b>		
<b>Palestinian Authority</b>	<b>X</b>		
<b>Tunisia</b>		<b>x</b>	
<b>Ukraine</b>			<b>x</b>

EFTA has no contractual relations with Syria (draft Declaration submitted to Syria in 1998), Libya, Russia, Moldova and Belarus.

**THE EU'S CONTRACTUAL RELATIONS WITH THE 'NEW NEIGHBOURS'**

<b>COUNTRY</b>	<b>ASSOCIATION AGREEMENT</b>	<b>PARTNERSHIP AND CO- OPERATION AGREEMENT (PCA)</b>	<b>WTO MEMBERSHIP</b>	<b>WTO ACCESSION IN PROGRESS</b>
<b>Algeria *</b>	<b>x</b>			<b>x</b>
<b>Egypt*</b>	<b>x</b>		<b>x</b>	
<b>Israel</b>	<b>x</b>		<b>x</b>	
<b>Jordan</b>	<b>x</b>		<b>x</b>	
<b>Lebanon</b>	<b>x</b>			<b>x</b>
<b>Libya**</b>				
<b>Morocco</b>	<b>x</b>		<b>x</b>	
<b>Palestinian Authority</b>	<b>x</b>			
<b>Tunisia</b>	<b>x</b>		<b>x</b>	
<b>Syria*</b>	<b>x</b>			<b>***</b>
<b>Belarus*</b>		<b>x</b>		<b>x</b>
<b>Moldova</b>		<b>x</b>	<b>x</b>	
<b>Russia</b>		<b>x</b>		<b>x</b>
<b>Ukraine</b>		<b>x</b>		<b>x</b>

\* The Agreements with Algeria, Egypt and Lebanon are still in the process of ratification and have not yet entered into force. Negotiations with Syria are still ongoing. The Agreement with Belarus has been suspended. \*\* The EU has no contractual relations with Libya, which has observer status in the Barcelona Process. \*\*\* Syria has applied to become a WTO Member. No Working Party has yet been established.