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C O N S U L T A T I V E C O M M I T T E E

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RESOLUTION AND REPORT

on

Benefits of 25 years of the EEA Agreement

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RESOLUTION

on

Benefits of 25 years of the EEA Agreement

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

- A. Recognising that the Internal Market is more than a free trade agreement and that it binds together the 28 EU Member States and Iceland, Liechtenstein and Norway as equal participants in a common market in which goods, services, capital and persons can move freely,
 - B. Noting that this has ensured a stable and predictable framework for economic operators and citizens in the 31 countries that are part of the EEA,
 - C. Recognising that cooperation outside the four freedoms in fields such as social policy is an integral part of the EEA Agreement and that the Internal Market contains a pronounced social dimension, with high levels of consumer, worker and environmental protection, as well as labour law,
 - D. Having regard to earlier resolutions of the EEA CC, in particular the resolutions “European Labour Authority (ELA)” of 2019, “Work-Life Balance in the EEA” of 2018, “A socially fair road transport sector in the EEA with effectively enforced common rules” of 2018, the “Social Dimension of the EEA and the European Pillar of Social Rights” of 2017 and “Labour mobility in the EEA” of 2016,
 - E. Recognising that the EEA EFTA States provide financial support to address economic and social development in 15 EU countries,
 - F. Noting that the EEA Agreement allows for participation of the EEA EFTA States in the development of Internal Market legislation, as well as participation in EU programmes and cooperation beyond the four freedoms,
 - G. Having regard to the fact that many reports point to the economic benefits of the Internal Market for the EU, it can be assumed that similar benefits must apply in respect the of EEA Member States,
 - H. Considering that the EEA Agreement has facilitated a close dialogue between the three EEA EFTA States and the EU and its institutions,
1. Emphasises that the EEA Agreement is central in ensuring a future level playing field and mutual market access for citizens and economic operators throughout the EEA;

2. Encourages swift incorporation of future legal acts into the EEA Agreement and action on outstanding acts to ensure a homogenous Internal Market;
3. Points towards the fact that the development of the Internal Market has not reached its end stage and that there is room for improvement, notably in the field of services. This could also lead to more competitiveness in the manufacturing industry;
4. Encourages a deepened focus on digital issues to harvest the growth potential in the field of robotisation and automation, working to achieve a level playing field in the digital economy, while at the same time addressing the challenges for the future of work and the need for quality well paid jobs
5. Recognises the significance of the implementation of the United Nations' Sustainable Development Goals (SDGs) for the EEA, and the need to ensure a fair transition to a low carbon economy.
6. Recognises that the positive impact of the Internal Market has not been distributed evenly and that its benefits need to be shared more equitably;
7. Is concerned about the fact that social issues, such as violation of workers' rights, social dumping, social fraud and work-related crime leads to a lack of trust in the EU and its democracy and therefore encourages a strong focus on the social dimension of the Internal Market and on upholding the European social model;
8. Encourages strong inclusion of the EEA EFTA States in the debate on social Europe, as they face the same questions and challenges and will eventually incorporate much of the resulting legislation into the EEA Agreement;
9. Emphasises the added value for European competitiveness and cross-border understanding in the EEA of cooperation between social partners as well as governmental and non-governmental organisations through the EU programmes.

REPORT

on

Benefits of 25 years of the EEA Agreement

1. Introduction

1.1. The Agreement on the European Economic Area (EEA) is much more than a free trade agreement. Consisting of a vast number of common rules – currently more than 6000 legal acts – the EEA binds together the 28 EU Member States and Iceland, Liechtenstein and Norway as equal participants in a common market in which goods, services, capital and persons can move freely. In addition to market access, the agreement has thus ensured a predictable and stable framework for economic operators and citizens in the 31 countries that are inside the EEA and led to a broad consensus that the Agreement is functioning well.

1.2. The rules of the Internal Market go far beyond ensuring market access for exporters by providing extensive rights for governments, economic operators and citizens across most areas of economic and social life. They include a pronounced social dimension, with high levels of consumer, worker and environmental protection and considerable financial support towards economic and social development in the poorer parts of Europe Article 3.3 of the Treaty on European Union which established the Internal Market, also recognised the need to work for sustainable development and a highly competitive social economy. The EEA Agreement therefore necessarily follows the same logic;

1.3. The EEA EFTA States do not participate in the decision-making process when the rules of the Internal Market are adopted by the EU. However, the EEA Agreement allows for the extensive participation of the three EEA EFTA States in the development of the EU's Internal Market and for participation in EU programmes and cooperation in a range of areas beyond the four freedoms. It provides for close dialogue between governments, parliamentarians and social partners, and forms the backbone of the close relationship between the EU and

the three EEA EFTA States, also in policy areas beyond the EEA such as justice and home affairs and foreign and security policy.

- 1.4. This report and resolution are authored by the EEA Consultative Committee, which is an advisory body to EFTA, established through the EEA Agreement, which brings together the social partners from Iceland, Liechtenstein and Norway and members of the European Economic and Social Committee (EESC). The EESC was set up in 1957 under the Treaty of Rome in order to give a voice to economic and social interest groups. The EEA Consultative Committee seeks to strengthen contacts between social partners in EFTA and social partners and civil society representatives in the EESC, to enhance awareness of the economic and social aspects of the EEA.
- 1.5. Many of the social partners at a national level in the EEA EFTA countries, as well as in the EESC, are members of the European Trade Union Confederation (ETUC) and Business Europe, respectively, and are as such, part of – and contribute to – the Social Dialogue at a European level.

2. Rights

- 2.1. The EEA Agreement grants the EEA EFTA States equal access to the four freedoms. In addition, it contains several important horizontal rules to ensure a fair and efficient market. These include legislation in the fields of intellectual property, competition, state aid and company law. Common rules on public procurement ensure equal access to all suppliers of goods and services in all 31 EEA countries.

Free Movement of Goods

- 2.2. The EEA Agreement provides for the free movement of goods. Businesses in the 31 countries inside the EEA benefit from a market of around 520 million consumers for their products, easier access to a wide range of suppliers and consumers, lower unit costs and greater commercial opportunities. EEA nationals in turn benefit from better choice, lower prices, more innovation and faster technological development.

2.3. The main principle of the EEA Agreement is that products may be traded between all 31 countries inside the EEA without any customs duties and hindrance from national regulations. In addition, products must conform to requirements that protect legitimate interests, such as health, safety and the environment. In certain areas EU product legislation is complemented by European harmonised standards. Where there are no EU requirements, the EEA States may maintain national regulations, provided they fulfil certain strict criteria and respect the principle of mutual recognition.

Free Movement of capital

2.4. The EEA Agreement prohibits restrictions on the free movement of capital within the EEA. For citizens this means that they can do a range of operations abroad, including opening a bank account, buying shares in non-domestic companies, investing where the best return is, and purchasing real estate. For companies, it means being able to invest in other EEA States, own other European companies and to raise money where it is cheapest.

Free Movement of Persons

2.5. The free movement of persons is perhaps the most important right for individuals, as it gives citizens of the 31 EEA States the opportunity to live, work, establish business and study in any of these countries. In short, the legislation on the free movement of persons aims at eliminating all obstacles to the freedom of movement, and to eliminate any form of discrimination based on nationality in the EEA.

2.6. The EEA Agreement also specifies the rules applicable in the fields of recognition of professional qualifications. This means that for certain professionals such as doctors, dentists, pharmacists or architects, a diploma complying with certain minimum requirements must be automatically recognised. For other regulated professions, recognition depends on whether the applicant has had professional training of about the same level and duration as the equivalent training in the host EEA State. If a profession is not regulated in the host EEA State, applicants can take up their profession without further

formality and are subject to the same conditions as the nationals of the host EEA State.

2.7. The right of persons to move freely within the EEA is also complemented by a system that coordinates social security schemes laying down common rules and principles determining which national legislation applies in each case, in order to avoid migrant workers being insured either twice or not at all. The general principle is that the social security legislation of the host EEA State extends the rights and obligations of its own nationals to nationals of other EEA States residing on its territory. A person who moves from one EEA State to another may thus not be placed in a worse position than a person who has always resided and worked in the same EEA State.

Free Movement of Services and the right of establishment

2.8. The EEA Agreement guarantees the freedom to provide services on a non-discriminatory basis anywhere in the EEA. In short, this means that no requirements of nationality may hinder an undertaking, or an individual established in an EEA State providing services to a customer in another EEA country. This is closely linked to the right of establishment in other EEA States.

2.9. In addition to the general principle of the free movement of services, the EEA Agreement contains specific rules applicable to services in general, as well as extensive and detailed rights and obligations in specific fields such as financial services, transport and telecommunications.

3. A stable and predictable framework

3.1. The EEA Agreement ensures that new and relevant EU legislation is incorporated in its Annexes and Protocols on a regular basis. While there is inevitably a certain delay in such a process, the procedures under the EEA Agreement have led to the incorporation of more than 6000 legal acts throughout the last 25 years and thus created a level playing field for economic operators and businesses through common rules and equal conditions throughout the EEA.

3.2. The successful operation of the EEA however also depends upon uniform implementation and application of the common rules in all EEA States. The EEA

Agreement is managed by a two-pillar structure in which EEA bodies mirror the bodies on the EU side. The EFTA Surveillance Authority – the counterpart to the Commission - monitors the compliance with EEA rules. The EFTA Court – the counterpart to the Court of Justice of the European Union – is competent to deal with infringement cases as regards implementation, application or interpretation of EEA law rules, for giving advisory opinions to courts in EFTA States on the interpretation of EEA rules and for appeals concerning decisions taken by the EFTA Surveillance Authority.

3.3. In sum, the EEA system for incorporation of legal acts and its control and judicial system thus ensure a homogenous Internal Market with uniform implementation and application and hence a stable and predictable framework for citizens and economic operators.

4. Social dimension

Cooperation outside the four freedoms: an integral part of the EEA Agreement

4.1. The EEA Agreement is more than the four freedoms: it necessitates cooperation outside the four freedoms in fields such as the environment, social policy, consumer protection, education and research. As a result, the EU's consumer and environmental protection requirements, which are considered among the highest in the world, apply throughout the EEA.

4.2. The social dimension is also closely linked to the free movement of persons within the EEA. Increased movement between countries with different social conditions, have required clarification of rules, common minimum requirements and close cooperation in the social policy field. In addition, challenges such as exploitation of posted workers, misuse of social security systems, “brain drain” and social dumping required – and continue to require – a common approach. The EEA Agreement therefore contains important legislation in the field of labour law, workers rights, health and safety at work, and anti-discrimination. The EEA EFTA States have also participated in a range of social policy initiatives and exchange of best-practice, as well as in programmes in the social field.

4.3. In 2017 the social dimension received renewed focus through the European Pillar of Social Rights, which aims to ensure equal opportunities and access to the

labour market, fair working conditions, and social protection and inclusion. Much of the legislation resulting from the Pillar of Social Rights is of relevance to the EEA Agreement and is in the process of incorporation.

4.4. New challenges, such as digitalisation, robotisation, new forms of work and the platform economy require a thorough analysis of whether current legislation in the field of labour law is still up-to-date, and what changes might be needed to ensure that there is a socially fair and just transition to the new world of work, in a way that no one is left behind. Social dumping continues to be a problem; however, the EU's Revised Posting of Workers Directive of 2018, and the establishment of the European Labour Authority, (ELA), are examples of measures being introduced to seek to address this problem. As participants in the Internal Market, the EEA EFTA States face the same challenges and many of the new policies and much of the legislation in this field will eventually be incorporated into the EEA Agreement. They are therefore actively participating in the debates on the social aspects of the Internal Market.

Reducing economic and social disparities in the EU

4.5. The EEA Agreement provides for considerable contributions from Iceland, Liechtenstein and Norway towards reducing social and economic inequalities in Europe. Through two dedicated financial mechanisms called the EEA Grants and Norway Grants, the three EEA EFTA States provided €3.3 billion to reduce economic and social disparities in the EU through consecutive grant schemes between 1994 and 2014. €2.8 billion has been set aside for the 2014-2021 period.

4.6. While initially targeting poorer countries and regions in Southern Europe, since the enlargement of the EU in 2004, the beneficiary countries have primarily been the new EU and EEA States of Central and Eastern Europe. The grants also aim at strengthening bilateral relations between the three EFTA donor countries and the (currently) 15 beneficiary countries.

5. Economic benefits

5.1. Economic theory posits that economic integration – i.e. the removal of internal borders and regulatory obstacles to the free movement of goods, services, capital and persons – creates economic growth. By stimulating competition and trade, a

functioning internal market improves productivity, consumer choice and helps reduce prices. A vast number of studies have been conducted to assess whether, or the extent to which, this theory holds true for the EU's Internal Market. However, there have been no comprehensive studies attempting to quantify the economic effects of the EEA¹. As the EEA is an extension of the EU's Internal Market to the three EEA EFTA States, it may be assumed that the effects of the EEA Agreement are similar to the effects of the EU Internal Market.

5.2. The proposal to 'complete' the internal market in the mid-1980s was accompanied by several studies on its expected economic benefits, most notably the so-called Cecchini report, which concluded that the completion of the Internal Market could add around 5% to the EC's gross domestic product (GDP) and create 2 million jobs, mainly through savings made by the removal of barriers to internal trade and the exploitation of economies of scale made possible by a genuine internal market.

5.3. Overall, the economic literature generally agrees that the Internal Market has had a positive effect on the European economy. Most earlier studies found that the gains were smaller than those predicted in the Cecchini report, increasing GDP by around 2-2.5% in the first 15 years (1992-2006). However, more recent studies, taking into account also the effects of the enlargements of the 2000s and more recent developments towards the completion of the Internal Market point towards more substantial benefits. According to a recent estimate by the European Commission, the economic benefits of the Internal Market amount to about 8.5% of the Union's GDP.²

6. Participation

Decision shaping

6.1. The EEA Agreement provides for several ways in which the EEA EFTA countries can actively contribute to the development of new Internal Market legislation. According to the Agreement, the Commission "shall informally seek

¹ As noted in the report of the Norwegian EEA Review Committee Utenfor og Innenfor (Outside and Inside), Official Norwegian Reports NOU 2012: 2, (see chapter 14).

² European Commission: The Single Market in a changing world, COM (2018) 772, 22 November 2018.

advice from experts of the EFTA States” in the same manner as from EU experts when new legislation is being drawn up in a field covered by the EEA Agreement. EEA EFTA experts take active part in the Commission’s expert groups that are responsible for developing new Internal Market legislation.

- 6.2. Based on the Agreement, the EEA EFTA representatives also participate in comitology committees and expert groups, which assist the Commission in the exercise of its executive powers where the Council and the European Parliament have authorised the Commission to establish subsidiary legislation to bring into effect a broader piece of legislation that they have introduced. EEA EFTA representatives also participate in programme committees, which are responsible for the development and management of the Community programmes outside the four freedoms.
- 6.3. The EEA EFTA States also contribute to the development of the Internal Market by submitting written contributions, known as EEA EFTA Comments, which when adopted, are forwarded to the EU and EEA institutions.
- 6.4. EEA EFTA social partners also contribute to decision making in the EU via their umbrella organisations, the ETUC and Business Europe, which are part of the EU Social dialogue.

Participation in EU programmes and EU agencies

- 6.5. The participation of the EEA EFTA States in EU programmes is a vital part of the EEA and a key instrument for cooperation between the 31 EEA States in a wide range of areas. The EEA Agreement has over the last 25 years given the EEA EFTA States the possibility to take part in a wide range of EU programmes covering areas such as research and innovation, student exchanges, consumers, civil protection, competitiveness, satellites and space programmes, health, employment, culture and media, to mention a few.
- 6.6. The EEA EFTA States participate in a growing number of EU agencies covering a wide variety of areas such as banking, energy, environment, food safety, medicine and health and safety at work.

Seconded National Experts

6.7. There are approximately 1,000 seconded national experts (SNEs) to the European Commission from the 28 EU Member States, the EFTA States and other countries. SNEs have a dual role: to bring to the Commission their experience of the issues they are used to dealing with where they normally work and to take back to their home administration the knowledge of Community issues which they acquire during their secondment.

6.8. The EEA EFTA countries have at any time between 50 and 60 SNEs placed within different directorates-general and agencies. Around half of these are 'EFTA in-kind experts' that are directly linked to the EEA Agreement as they are part of the EEA EFTA States' annual contribution to the administrative costs of the EU budget, within the framework of EEA EFTA participation in various EU programmes, agencies and undertakings.

7. Dialogue

7.1. The EEA Agreement establishes and facilitates a close dialogue between the three EEA EFTA States and the EU and its institutions. This dialogue takes place in multiple fora among governments, parliamentarians and social partners.

7.2. In the biannual EEA Council, EEA EFTA Ministers meet with their counterparts in the EU Council, as well as representatives of the Commission and the EEAS.

7.3. In the Joint Parliamentary Committee, members of national parliaments of the EEA EFTA countries meet with members of the European Parliament.

7.4. The EEA Consultative Committee brings together representatives of employers and workers' associations from Iceland, Liechtenstein and Norway and members of the European Economic and Social Committee (EESC).

7.5. Through the EEA and Norway Grants, close partnerships are established through bilateral partnerships between the donor countries and beneficiary countries. Closer bilateral relations between entities in the donor countries and beneficiary countries is in fact one of the two overriding objectives of the EEA and Norway grants.

8. 25 years and beyond – challenges and next steps for the EEA

- 8.1. The EEA is a work in progress. As the EU continues the process of completing its Internal Market, the Agreement is continuously updated and revised to ensure a level playing field for all 31 EEA States.
- 8.2. A key finding in the economic literature is that integration in the Internal Market is still far from fulfilling its potential. The economic potential of completing or ‘deepening’ the internal market was recently estimated to amount to about 9% of EU GDP.³ Recent economic studies show that the highest untapped potential for growth and jobs lies in the further development of the Internal Market in the field of services. Services account for around 75% of the GDP in the EU, while only for around 25% of trade in the Internal market. Productivity growth is slow in many services sectors.
- 8.3. So-called servitisation of the manufacturing sector is a growing trend, as the services content of manufacturing is growing. An improved Internal Market in the field of services could therefore also increase competitiveness of the manufacturing industry. So far, improving the Internal Market under the scope of the Services Directive (equivalent to around 45% of GDP in the EU) has proven to be politically very difficult.
- 8.4. Equally important is the development of the social dimension of the Internal Market. Violation of workers’ rights, social dumping, social fraud and work-related crime lead to a lack of trust in Europe. Questions such as how to deal with automation, the platform economy, and new forms of employment are questions that are equally important for the EEA EFTA States as for the EU States. Joint action is therefore required to address these issues and to achieve fair competition, social cohesion, the improvements in the standard of living of all citizens and to uphold the European Social Model. As most new legislation in this area will be of direct relevance to the EEA EFTA States it is crucial that these are closely involved in its development.
- 8.5. The implementation of the UN Sustainable Development Goals will also have a significant impact on the EEA, and it will be necessary to ensure that there is a just transition to a low carbon economy.

³ [http://www.europarl.europa.eu/RegData/etudes/STUD/2017/603239/EPRS_STU\(2017\)603239_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/STUD/2017/603239/EPRS_STU(2017)603239_EN.pdf)

8.6. Having reached 25 years, the EEA Agreement combines a robustness and resilience that maybe few expected when it entered into force in 1994. It guarantees an up-to-date and predicable framework allowing for mutual market access, consumer protection, workers' rights and environmental protection. It also ensures cooperation in many fields, including EU programmes and the social dimension, a field to be further developed in the years to come.