

**EEE 1609/06**

**DRAFT MINUTES**

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Subject : Draft Minutes of the 26<sup>th</sup> meeting of the EEA Council  
Brussels, Tuesday 12 December 2006

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**DRAFT MINUTES**  
**of the twenty sixth meeting of the**  
**EEA COUNCIL**  
**(Brussels, 12 December 2006)**

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The EEA Council held its 26<sup>th</sup> meeting in Brussels, on 12 December 2006. The meeting was chaired by Mr. *Jonas GAHR STØRE* (Minister for Foreign Affairs of the *Kingdom of NORWAY*), who led the EEA - EFTA Delegation, which was also composed of Ms. *Rita KIEBER - BECK* (Minister for Foreign Affairs of the *Principality of LIECHTENSTEIN*), and by Mr. *Þorsteinn INGÓLFSSON* (Ambassador, Special Representative of the Minister for Foreign Affairs of the *Republic of ICELAND*).

Ms. *Paula LEHTOMÄKI* (Minister for European Affairs of the *Republic of FINLAND*) led the EU Troika, which was also composed of Mr. *Günter GLOSER* (Minister of State for Europe, Foreign Office of the *Federal Republic of GERMANY*) and Mr. *Karel KOVANDA* (Deputy Director General and Political Director at DG RELEX at the *EUROPEAN COMMISSION*).

The *European Free Trade Association* (EFTA) was represented by its Secretary General Mr. *Kåre BRYN* and the *EFTA Surveillance Authority* was represented by its President Mr. *Bjørn T. GRYDELAND*.

**Opening statement of Mr. GAHR STØRE, on behalf of the EEA - EFTA States:**

Ladies and Gentlemen,

Allow me to welcome you to the 26<sup>th</sup> meeting of the EEA Council, here in Brussels. In order to save time, I propose that we deal with items 1, 2, 3, 4 and 7 of the Agenda, without discussion, thus the Conclusions are also adopted. Can you agree to this?

**Intervention of Ms LEHTOMÄKI, on behalf of the European Union:**

Mr. Chairman,

Dear Colleagues from Iceland, Norway and Liechtenstein, from the EFTA Secretariat, as well as from the EFTA Surveillance Authority,

We are most pleased to meet you here in our EEA Council.

First of all allow me to take this occasion to express to you and your Delegations on behalf of the Ministers of the Council of the European Union our warmest welcome to the *Justus Lipsius* Building. I would also like to express my most sincere acknowledgement to you and to the EFTA Secretariat for the excellent co-operation in finalising the arrangements for this meeting.

We are certain that the excellent level of co-operation which characterises our relations will be further deepened and developed in the future to come.

To save time, we would like to confirm that there is an agreement on dealing with items 1, 2, 3, and 4 of our Agenda without prior discussion. Furthermore, we would like to express our satisfaction with the consensus on the draft Conclusions on item 7 of the Agenda.

Thank you

1. **ADOPTION OF THE AGENDA**

The EEA Council adopted the Agenda as set out in EEE 1606/06.

2. **APPROVAL OF THE MINUTES**

of the 25<sup>th</sup> meeting, which took place in Luxembourg, on 12 June 2006 (EEE 1604/06).

The EEA Council approved the minutes of its 25<sup>th</sup> meeting as set out in the above-mentioned document.

3. **PROGRESS REPORT BY THE EEA JOINT COMMITTEE**

The EEA Council noted the Progress Report as set out in EEE 1608/06.

4. **RESOLUTIONS OF THE EEA JOINT PARLIAMENTARY COMMITTEE  
ADOPTED AT ITS 27<sup>th</sup> MEETING IN BRUSSELS, ON 10 OCTOBER 2006**

The EEA Council noted the Resolutions of the EEA Joint Parliamentary Committee adopted at its 27<sup>th</sup> meeting in Brussels, on 10 October 2006, on:

- *The Implementation of the European Economic Area legislation and*
- *EEA Enlargement: Experiences and Perspectives.*

**RESOLUTIONS OF THE EEA CONSULTATIVE COMMITTEE ADOPTED AT ITS  
14<sup>th</sup> MEETING IN HÖFN ICELAND, ON 25 JUNE 2006**

The EEA Council noted the Resolutions of the EEA Consultative Committee adopted at its 14<sup>th</sup> in Höfn, Iceland on 25 June 2006 on:

- *The Future of the Northern Dimension Policy and*
- *The Lisbon Strategy – More Sustainable Growth through National Reforms and Increased EEA Co-operation.*

## **5. ASSESSMENT OF THE OVERALL FUNCTIONING OF THE EEA AGREEMENT**

Assessment of the overall functioning of the European Economic Area Agreement

(i.a. maintaining and enhancing the homogeneity of the European Economic Area; decision making and shaping; Lisbon Strategy for growth and jobs and the European Economic Area; Enlargement of the European Economic Area; the Financial Mechanisms)

### **Intervention of Mr. GAHR STØRE, on behalf of the EEA - EFTA States:**

Dear Colleagues,

Before praising the overall functioning of the European Economic Area Agreement, I would like to express our satisfaction with the open and frank discussion we had on Lebanon, Sudan and Kosovo, all issues of common concern.

Coming to the European Economic Area Agreement and its functioning, it is with pleasure that I say that, since our last meeting, the co-operation under the European Economic Area continues to function well and that the Agreement continues to be an important tool to implement our common objectives.

As mentioned in the Report presented to this meeting, since our last meeting in June, the EEA Joint Committee adopted 126 Decisions, incorporating 274 legal acts. Amongst those is the Decision on the participation in the European Year of Equal Opportunities. Our Member States are highly active in this area at national level and we look forward to sharing our experiences with the European Union.

With legal acts of EEA relevance becoming a part of our national legislation, it is important for us to be active and constructive in the respective decision shaping process. I am confident that we all benefit from the EEA - EFTA experts' participation in the legislative process at an early stage.



We have been active in underlining the importance of this amongst relevant actors within our Member States, within our civil societies, with stakeholders and parliamentarians, who are all aware of their important role in this respect.

EEA - EFTA Comments have also been an important tool to contribute to the shaping of a new legislation and, within the second half of 2006, six comments were submitted.

Our participation in EEA relevant Agencies of the European Union has of course been an important channel for contributing to the shaping of the legislative framework of the European Union. In this context, I am pleased to say that we are close to finalising an agreement on the integration of the legislation establishing the European Food Safety Authority (EFSA) and of general principles of food law.

This means that we, after four years of negotiations, can finally formalise our participation in the Agency. The establishment of EFSA ensures a coherent and integrated "farm to fork" approach to food safety ensuring a high level of protection of human life and health, taking into account the protection of animal health and welfare, of plant health and of the environment. The legislation introduces principles of risk analysis, transparency and procedures for managing crisis situations.

It is highly important that our Member States are able to participate in EEA relevant Programmes of the European Union. We have stressed this also in previous EEA Council meetings. The EEA - EFTA States have participated in and contributed actively to many Programmes such as Research, Education and Employment Programmes. We also look forward to continued participation in the new generation of Programmes. Smooth and timely inclusion of the EEA - EFTA States in these new Programmes is of major importance, so that relevant actors within our Member States can participate from the beginning, which is actually just in few weeks' time. We believe that our participation is not only a positive contribution to the EEA co-operation, but it also strengthens Europe's common political and economic goals.

The financial contribution from the EEA - EFTA States to the Budget of the European Union in the framework of EEA - EFTA participation in certain Community Projects and Programmes is significant. It has risen from approximately 50 million euros committed in 1995 to 139 million euros in 2006. In 2007, it is expected to be approximately 167 million euros.

Our most prominent issue this year is, of course, the enlargement of the European Economic Area. With the accession of Romania and Bulgaria, there will be almost 500 million people in 30 countries in the European Economic Area. We should all strive for raising the awareness of the European Economic Area Agreement within the new Member States of the European Union and for ensuring that our citizens are aware of the vast opportunities our Agreement is creating for them.

We have still not reached any conclusions, but we have already discussed all important issues. Most “technical” issues are sorted out. For instance, the transitional arrangements that have been agreed between the European Union and Bulgaria and Romania should, in general, also apply with regard to the enlargement of the European Economic Area. However, it is no secret that the financial aspect is the most difficult issue. The EEA - EFTA States have stressed that any financial contribution made should be reasonable and legitimate. Participation in the European Economic Area is not equal to membership of the European Union, which is both of a broader and deeper nature. The level and scope of contributions to the reduction of social and economic disparities within an EEA context should therefore be limited.

We have pointed out at several occasions that negotiations are a separate political undertaking and need to be addressed on their own merit without being prejudiced by past decisions. We have also stressed that any conclusion reached in connection with this enlargement should not be binding, nor prejudicial for the period after April 2009.

We should also find satisfactory solutions with regard to market access for fish and fish products.

Speaking as Norwegian Minister, let me just remind you that Norway has indicated its willingness to contribute 20 million euro annually, in total approximately 47 million euro for the period 2007 to 30 April 2009 to the social and economic cohesion for Bulgaria and Romania. We believe this is a fair and reasonable offer based on objective criteria.

In spite of the diverging views, we are optimistic with a view to reaching a political agreement in order to secure a parallel enlargement of the European Union and of the European Economic Area.

The Financial Mechanisms established by Norway, Iceland and Liechtenstein are now operational. To date, close to 400 million euro has been made available to applicants through calls for proposals in 11 out of the 13 beneficiary Member States of the European Union. More than 3300 applications were submitted in response to the calls already launched. Following evaluation and prioritising in the beneficiary States, a total of 280 applications have been forwarded to be assessed.

The Financial Mechanisms are implemented as a joint effort between the donor EEA - EFTA States and the beneficiary Member States of the European Union. The process is being streamlined to find a good balance between efficiency, transparency, delegation, monitoring and control. By the end of November, we have approved of 54 projects in total of 70 million euro in grant assistance, and our aim is to have another 100 projects forwarded for final decision by the end of 2006.

Over the remaining time frame for the Financial Mechanisms, another nine open calls for proposals are planned in the beneficiary Member States of the European Union. Throughout the five year commitment period, approximately 800 Projects are expected to be funded. This also includes more than 40 funds in various areas under preparation in the beneficiary Member States of the European Union, the majority of which provide small grants to civil society actors.

We are committed to making the Financial Mechanisms a success and we are fulfilling this commitment by thoroughly assessing the submitted applications,- making sure that grants go to high-quality projects that are for the public benefit and contribute towards reducing social and economic disparities.

With the high level of economic interdependence between the EEA - EFTA States and the European Union, we continue to follow closely the ambitious plans within the European Union, provide input and participate in Projects and Programmes connected to The Lisbon Strategy.

An important aspect of the Lisbon Strategy is the Energy Policy of the European Union, which is integrated into the Internal Energy Market through the European Economic Area Agreement.

Energy has risen to the top of the international agenda. Europe's energy landscape is changing fast. The European Commission's Green Paper on a European Strategy for Sustainable, Competitive and Secure Energy sets out a vision for an Energy Strategy for Europe and how a new European Energy Policy could meet the core objectives through sustainable development, competitiveness, and security of supply. The EEA - EFTA States have jointly submitted comments to the Paper. Furthermore, Norway has submitted separate comments. We consider the Paper as an excellent point of departure for further discussions on the energy challenges facing Europe.

A new energy policy for the European Union will have an impact on the future formulation of a legal framework with relevance to the European Economic Area Agreement. A continued strong co-operation between national European regulators is essential in this regard. Furthermore, the discussions on Energy Security and the development of effective and functioning Energy Markets are significant, since EEA - EFTA States are physically integrated to the European Union in energy trade in gas and electricity. The Treaty establishing an Energy Community between the European Union and the South East Europe opens the perspective of a Pan European Energy Market. It is our expectation that Norway will be accepted as a Party to that Treaty soon. The pursuit of a coherent External Energy Policy of the European Union will undoubtedly have implications for the EEA - EFTA States - and for Norway in particular - as a major energy producer and exporter.

On the Directive on Greenhouse gas emission trading scheme, I am pleased to say that we have made good progress. The EEA - EFTA States are expected to finalise the adaptation texts within days, and a draft EEA Joint Committee Decision will be forwarded to the Commission Services concerned (DG Environment) for informal consultations shortly.

Then, Madame Chair, I would like to mention a few issues of concern for the EEA - EFTA States within our co-operation, some of which we have been discussing with the Commission for a while and taken up before in this forum.

I will start with the Directive 2004/38/EC on the right of the citizens of the European Union and of their family members to move and reside freely within the territory of the Member States. As you are aware, at the Joint Committee meeting on 27 October the European Commission activated Article 102 on a suspension of an “affected part” of the European Economic Area Agreement. We acknowledge the seriousness of this, as the free movement of persons within the European Economic Area is one of the core pillars of the Agreement. This Directive is indeed an important act in this field. However, allow me to point out that to our knowledge only a handful of Member States of the European Union have communicated their implementing measure and we consider that it was premature of the European Commission to activate this measure towards the EEA - EFTA States.

Moreover, the EEA - EFTA States want to express their concern about the fact that we still have a ban on the use of fishmeal in ruminant feed. On several occasions, *inter alia* in high level meetings, we have stressed the importance of lifting the ban.

This ban has a severe negative impact on trade in the Internal Market, with detrimental effects particularly for Iceland. Once again, we reiterate our request to lift the ban completely. We encourage the Parties involved to find an acceptable solution to these matters. Also, we welcome recent progress made towards opening up the possibility of introducing fishmeal in feed for young ruminants.

Having said this, none of these issues overshadow the overall positive aspects of our co-operation under the European Economic Area Agreement and the benefits it has for the Internal Market.

We have this term enjoyed an excellent co-operation with the Finnish Presidency of the Council of the European Union, a former member of the European Free Trade Association Group. We are looking forward to continuing this strong co-operation with the incoming German Presidency.

Thank you for your attention.

**Intervention of Mr. INGÓLFSSON, on behalf of the Republic of Iceland:**

Mr. Chairman,

Iceland shares your views on the premature activation of Article 102 of the EEA Agreement regarding the Directive 2004/38/EC.

Iceland would also like to point out that the Directive widens the scope of the well established field of Free Movement of Persons. One must always be careful when incorporating acts into the European Economic Area Agreement that have EU legal basis that has been created after the European Economic Area Agreement was negotiated.

According to the European Economic Area Agreement, the rights of EEA citizens to reside in another EEA country depend on the status of the persons as workers or self-employed persons or persons that have ceased their occupational activity etc. In our view, this permanent right stipulated in the Directive derives from the concept of Union citizenship that is not a part of the European Economic Area Agreement.

It is my hope that our concerns will be taken into account and I am convinced that we can solve this matter in an amicable manner.

Thank you for your attention.

**Intervention of Ms LEHTOMÄKI, on behalf of the European Union:**

Mr. Chairman,

First of all, I would like to take this opportunity to emphasise, once again, the importance of the meetings of the EEA Council, which give us an opportunity to carry out a regular evaluation of the application of such an important instrument, as is the European Economic Area Agreement, and to hold a useful exchange of views on the various aspects of it.

We consider that the evaluation of the internal co-operation between the Member States of the European Union and the EEA - EFTA States is globally very positive and that all the Institutions created within the framework of the European Economic Area Agreement are well-functioning. We are nevertheless prepared to continuously develop and deepen such co-operation even further.

On the various topics listed in item 5 of the Agenda, I should like to give the floor to the European Commission which, as you know, has the main responsibility for the day-to-day operation of our Agreement.

Thank you very much

**Intervention of Mr. KOVANDA, on behalf of the European Commission:**

Mr. Chairman,

The general functioning of the European Economic Area Agreement in 2006 has, of course, been largely overshadowed by the negotiations on Bulgaria and Romania becoming part not just of the European Union but also of the European Economic Area. I therefore think it only appropriate that I focus my intervention on the issue of the enlargement of the European Economic Area.

But before addressing the enlargement negotiations, I would like to stress that in 2006, the lack of progress in these negotiations has not been allowed to impact upon the general functioning of the European Economic Area Agreement. On the contrary, in 2006 we have hardly experienced any significant problems of substance in our day-to-day work, which we have not been able to resolve.

Since our last EEA Council in June, 86 Decisions, incorporating 181 legal acts have been adopted by the EEA Joint Committee. This brings us to a total of 159 Decisions incorporating 340 acts into the European Economic Area Agreement in 2006.

So, it is safe to conclude that we have maintained the usual high level of incorporation of new legislation, ensuring the continued homogeneity of the Internal Market.

Even in complicated cases, we have made substantial progress. Two such cases spring to mind: First of all, the general modalities for incorporation of horizontal food law to the European Economic Area, allowing i.a. for the EEA - EFTA States' participation in the European Food Safety Authority (EFSA) and, secondly, the incorporation of Directive 2003/87/EC on the Greenhouse Gas Emission Trading Scheme.

It is my hope that these dossiers can now be finalised in the very near future.

We do, however, have one very serious issue still on our agenda, namely the incorporation of Directive 38/2004/EC concerning free movement of persons. This has become increasingly urgent and we unfortunately had no alternative but to formally initiate the dispute settlement procedures of the European Economic Area Agreement.

Free movement of persons within the European Economic Area is one of the core pillars of the Agreement. Directive 38/2004 is a very important act in this field, being a recast of the whole *acquis* in this area, including recent developments, and its incorporation without adaptations is long overdue. We should be able to settle this issue rapidly and I hope that we will.

Another issue of serious concern to the side of the European Union at present are the proposed modifications in the Norwegian outward processing regime. The proposed modifications would restrict bilateral trade and investments and freedom of operators.



These restrictions would be in contradiction to the European Economic Area Agreement and would also represent a breach of standstill provisions. What is more, the proposed modifications would represent a major step backwards in relation to our common efforts to gradually open markets and to regionally integrate and it will be to the detriment of economic operators both in the European Union and in Norway, as well as of consumers especially in Norway.

I therefore strongly urge the Norwegian Government to reconsider implementing the proposed changes in its outward processing regime.

However, aside from these few issues, I would like once again to emphasise that overall, the European Economic Area Agreement continues to function very well. The Services of the European Commission also continue to appreciate the many valuable EEA - EFTA comments, which constitute an important element in the decision shaping process.

So, against this generally positive background, it is most unfortunate that we will not be able to welcome Bulgaria and Romania into the European Economic Area as from the 1<sup>st</sup> of January 2007, when they will become Members States of the European Union.

With your permission, Mr. President, I would like to focus the remainder of my intervention on the issue of the negotiations on the Enlargement of the European Economic Area.

Since our last meeting, much work has been done at technical level and all the preparations for the Enlargement of the European Economic Area have been taking place as far as they can at this stage.

There have been three negotiation sessions at chief negotiators' level and we have been in close informal contact with the Parties involved.

However, regrettably little progress has been made on the only real issue of substance: the necessary adjustment to the EEA and to the Norwegian Financial Mechanisms.

The matter is not complicated. The two current Financial Mechanisms, which are now well up and running, were negotiated in the context of the 2004 Enlargement and run until 2009. Bulgaria and Romania will accede to both Mechanisms, to the EEA one, because it is an integral part of the European Economic Area Agreement and automatically to the bilateral Norwegian one, because they will be part of the European Community, which is the contracting Party here.

It follows that both Mechanisms will have to be adjusted, so that they can also cover the two new Member States until April 2009. We have proposed a simple *pro rata* increase and explained the methodology in detail.

On this basis, a long time ago we proposed that for the remainder of the current period, namely 2 years and 4 months, Bulgaria and Romania should receive 9,9 and 23,9 M€ per year respectively from the EEA Financial Mechanism and 10,9 and 26,4 M€ per year respectively from the Norwegian Financial Mechanism, in order to be treated in the same manner as the other 10 new Member States.

For the EEA Financial Mechanism, we are satisfied that Iceland and Liechtenstein have indicated a constructive approach, provided that certain calculation parameters would be updated and that a satisfactory compromise can be achieved on the question of market access for fish. We have also taken positive note of Norway offering to contribute an additional 20 million euro per year under the EEA Financial Mechanism, again provided that agreement can be reached on certain market access issues.

This is a constructive starting point for the further negotiations on the EEA Financial Mechanism. It remains, however, far from the annual 33,8 million euro increase, which we have calculated that Bulgaria and Romania should receive from the EEA Financial Mechanism.

However, the big stumbling block in the current negotiations remains that for the bilateral Norwegian Financial Mechanism, which we believe should be increased by 37,3 million euro per year, so far, Norway has proposed nothing.

We appreciate that Norway's current predicament is linked to the historical background for the unusual construction of two parallel Financial Mechanisms. We do recall that this structure was originally established in 2003, because Norway, out of concern for a simultaneous enlargement of the European Union and of the European Economic Area, made the extra necessary effort in order to reach an agreement.

For this Norway still deserves and retains much respect and good will.

We are not saying that this structure is forever set in stone. In 2009 when both mechanisms run out, everything will be up for renegotiation.

We would be ready to state for the record that nothing that we would agree in the current enlargement process of the European Economic Area would in any way prejudge future negotiations on financial contributions after 2009, neither with respect to the structure and set-up, nor with respect to the overall amount.

That being said, in the current enlargement situation, the question at hand is exclusively how to adjust both existing Financial Mechanisms in a non-discriminatory manner to take into account the accession of the two new Member States. I think it should be easily understood that politically it would be inconceivable to treat Bulgaria and Romania worse than the other 10 new Member States.

Let me stress that, contrary to what has been put forward in the negotiations by the EEA - EFTA side, we in the European Union do treat Bulgaria and Romania in exactly the same way when it comes to cohesion contributions as we did for the other 10 new Member States.

Furthermore, we are satisfied that there will be no absorption problems neither in the current beneficiary countries, nor in the new Member States, so we also cannot accept that as an argument for giving a proportionally smaller amount to Bulgaria and Romania than what was allocated to the other 10.

Mr. President,

In less than three weeks' time, the European Union will have 27 Member States. All of these will have to endorse the result of our negotiations.

Nobody knows what it would mean in practice if the Internal Market of the European Union were to become geographically different from the one of the European Economic Area for any substantial period of time.

We should be under no illusions that this could have serious consequences for the functioning of the European Economic Area Agreement, legally, economically and certainly politically.

Thank you very much

6. **ORIENTATION DEBATE:**

**PROSPECTS FOR A REVITALISATION OF THE DOHA ROUND AND ITS  
POSSIBLE IMPLICATIONS**

**Intervention of Mr. GAHR STØRE, on behalf of the EEA - EFTA States:**

Dear Colleagues,

We welcome the tradition of an Orientation Debate during the EEA Council meetings, which gives an added value to our meetings. The topic of the debate this time is the "*Prospects for a revitalisation of the Doha Round and its possible implications*", which is of great relevance and importance to our countries.

I would like to give the floor to you.

Thank you.

**Intervention of Ms LEHTOMÄKI, on behalf of the European Union:**

Mr. Chairman,

First of all, let me underline the importance that the European Union continues to attach to a successful and balanced conclusion of the Doha Development Agenda (DDA) negotiations, in the interest of the entire WTO membership and of the world economy, and in particular of the developing countries;

The Doha Development Agenda remains a central priority of the Trade Policy of the European Union, and the European Union will not give up on DDA. After the soft resumption at technical level in Geneva, the European Union will work towards starting substantial negotiations as soon as circumstances allow, and I would like to stress the need for intensified efforts and participation of all WTO members.

After this brief introduction, allow me now to give the floor to the Commission.

Thank you.

**Intervention of Mr. KOVANDA, on behalf of the European Commission:**

Mr. Chairman,

Since the negotiations of the Doha Development Agenda (DDA) were suspended last July, we are in a difficult situation. Although all Members have reiterated their commitment to the Round, we have seen no significant movement in their positions. Nevertheless, the European Union has not given up on the DDA, which remains our number one trade policy priority. As a matter of fact, we do believe that there is a window – albeit a narrow one - to resume and complete the ministerial negotiations in early 2007.

Indeed, many are now starting to realise the systemic and economic consequences of a possible failure. It is not just the hundreds of billions of euros annually in new goods and services trade that will be lost - but also the agreements that will extend duty free quota access for the poorest nations or straighten out customs rules.

The important process of fully integrating developing countries in the international trade system risks being set back possibly by decades and the attachment of developing countries to the multilateral trade system will be badly, possibly fatally, weakened. The WTO system will be perceived to have stalled, and this will have repercussions on multilateral co-operation in other areas.

So for reasons of both self-interest and global responsibility, we all need to find a way back to the table in the coming period, and the European Union must continue to show leadership on this. For that to happen a number of things are needed.

First, we must take up the negotiation where we left off when talks were suspended in July. Before the July stalemate most of the WTO membership was converging towards a landing zone centred around the agriculture proposal of the G20 Group of developing countries. This proposal was and probably still is not acceptable as such to all WTO members, but it points to the necessary balance between the need to advance decisively on farm trade liberalisation and the need to respect the reasonable agricultural sensitivities of many WTO members, developed and developing. Exaggerated requests in terms of agricultural tariff cuts – such as those of the US - will not help the process to move forward.

The second condition for success is to reject the notion that no deal is better than a less than perfect deal. Of course, no deal is better than a bad deal, but we are not faced with such a stark choice. The DDA does hold promises for a meaningful outcome. In fact, we have in the making the single most ambitious Multilateral Trade Agreement ever negotiated. WTO Director General, *Pascal Lamy*, has calculated that the value of the agriculture package already on the table in July was worth three to four times that of the Uruguay Agreements. Yes, we all wanted even more ambition in many areas, but we always knew that, in the end, compromises would be needed.

The third condition is to remember that DDA is about more than just agriculture. All economic studies show that industrial goods, services and rules would yield the bulk of the Round's economic benefits. We need an Agreement that creates new trade flows through tariff cuts by developed countries and emerging economies. We need a deal on services that accelerates foreign investment and the global flow of skills and know how. Moreover, we need a deal on trade facilitation that will allow traders to save time and money through streamlined customs procedures.

The fourth thing we need to do for success is, in practice, to prepare the ground technically and politically for resuming negotiations. This is what is going on right now in Geneva with the soft resumption of negotiations at technical level. This is a welcome development.

Nevertheless, if we are to engage again politically, every key player will need to show new commitment and real flexibility. The European Union stands ready to negotiate in a positive and constructive spirit. If the other key players show real movement on issues like farm subsidies or trade in industrial goods, the European Union will renew its willingness to improve its farm tariff offer as we have indicated publicly in July and ever since. We are also willing to lock our 2003 Common Agricultural Policy (CAP) reform into the WTO, and of course we will proceed to the elimination of export subsidies if others do the same. None of this, however, can or will be an unreciprocated move.

Thus, we have realistic objectives; we have a strategy; and we believe we have allies on this. However, nothing is possible without an engaged US partner. The US faces some important domestic hurdles, like the upcoming new Farm Bill and the renewal of the Trade Promotion Authority, which will affect the Doha negotiating process and make rapid progress necessary. The results of the recent US elections have been seen by some as suggesting a shift away from open trade in the United States. We need to challenge that assumption. We believe that a bipartisan approach on trade in the US is paramount and possible.

We need the US to commit to an effective cut in agricultural subsidies. At the end of the day what the rest of the world is asking from the US is not indigestible. It amounts to a real terms cut of a few billion dollars in trade-distorting farm subsidy payments to farmers. In the scale of US agriculture spending, the reduction being sought is bearable, and the pay-off for all WTO Members, and the US itself, is more than worth the effort.

At the same time, emerging economies like Brazil, India or China will have to realise that they have to take their responsibilities too, and contribute to this Round by opening their markets for industrial goods and services, in particular those coming from other developing countries.

Furthermore, we need of course to agree on a genuine and ambitious development package to cater for the needs of the poorest Members.



All Members will benefit from a progressive and careful liberalisation and better trade rules. It is a development tool that brings its own efficiency gains. The costs of failure both economically and systemically would be steep, both for developed and developing countries. Therefore, we all need to renew our efforts to bring these negotiations back on track.

Thank you very much.

**Intervention of Mr. GAHR STØRE, on behalf of the EEA - EFTA States:**

Dear Colleagues,

In July, Doha negotiations were suspended, despite a nearly universal desire to bring the negotiations to a successful conclusion.

All key members say that they want to finalize the round. The negotiating positions in many areas do not seem unbridgeable.

Most of the key players have signalled a willingness to make further concessions provided that they receive sufficient concessions in return, and provided that certain specific concerns are properly addressed.

None of the key players, however, want to move first and have their concessions “pocketed” by others while getting little or nothing in return.

Thus, we have ended up in a classic dilemma, where everyone would benefit from a new WTO deal, but where there is not enough trust to get all the key players to move together. Everyone is waiting for further movement from the other participants before putting their own concessions on the table.

Norway deeply regretted the suspension of the negotiations. Thus, we are welcoming the fact that work in Geneva has resumed under the guidance of the chairmen of the negotiating groups.

Although members have welcomed the “soft resumption” of the negotiations, there are few signs of real movement on the core issues which caused the logjam in July.

Thus, the political courage to go the last mile needed to strike a final deal is still not visible on the ground.

There has been a good deal of “quiet diplomacy” in the aftermath of the July suspension, yet key players are still waiting for someone else to provide them with a renewed momentum.

Obviously, we are all still uncertain as to the consequences of the midterm congressional elections in the United States and, until that mist clears, we cannot expect real negotiations to take place.

However, whatever assessment we may have regarding developments in the United States, time is short if we are to take advantage of the window of opportunity we have in the first half of 2007.

In any case, real progress in the negotiations cannot take place unless there is renewed engagement by all major members, including the European Union, Brazil, India and others along with the United States.

This is not the time or place to go into specifics, but our assessment is that a deal is still possible if members are prepared to go a few steps beyond present positions.

In other words, what was lacking in July - political courage - is still the main ingredient needed to move forward.

All of us will have to take some “pain” in these negotiations. Norway is prepared to make substantial concessions in agriculture. However, we do expect other members to take our sensitivities into consideration as well. We also need positive results in other areas such as NAMA, services and rules.

I can assure you that Norway remains fully committed to the negotiations and will do its part to reach an agreement.

We cannot allow ourselves to fail. The rules-based global trading system is at risk and so are the potential development benefits of new market opportunities.

The DDA has to deliver on its promise as a true development round, and the multilateral trading system have to develop if it is to stay relevant in the face of the challenges of globalisation.

I can confirm that Norway has hosted three meetings with Senior Officials from five countries (Indonesia, Kenya, Chile, New Zealand and Canada).

The objective is to discuss ways and means by which we may be able to facilitate the resumption of substantive negotiations. The objective is not to establish another negotiating group or to replace negotiations in other forums.

Director General Pascal *Lamy* has encouraged WTO members to solve their differences through "silent diplomacy". Norway hopes that our initiative can be helpful in this regard.

Thank you very much

**Intervention of Mr. INGÓLFSSON, on behalf of the Republic of Iceland:**

Dear Mr. Chairman,

It is clear that the Doha talks are hanging in the balance, to say the least. However, it has been encouraging to witness the signals Members have been giving about their renewed resolve to make one more attempt in the coming weeks to break through.

The position of one particular Member State is though clearly more in question than of others. The US will have to be able to move on Domestic Support for Agriculture for us to get any further. Taking into consideration the political shift in the Mid Term elections last November, it is at this moment very hard indeed to make any predictions on whether the USTR has any leeway left.

Furthermore, we also have to bear in mind the necessity of balance in the negotiations. That calls for all stakeholders to be willing to move *in tandem*, but such co-ordination has hitherto been a rare sight in these negotiations. These negotiations are not only about agriculture; we do need success also in field of NAMA, Services and Rules to name only the most important fields.

We all share the ambition of a successful conclusion of Doha sooner rather than later, but the situation remains critical.

Thank you very much

**7. ADOPTION OF THE CONCLUSIONS OF THE 26<sup>th</sup> MEETING OF THE EEA COUNCIL**

The EEA Council adopted the Conclusions as set out in EEE 1607/1/06 REV1.

**8. OTHER BUSINESS**

The EEA Council noted that there had been a debate on *Kosovo*, on *Sudan*, as well as on *Lebanon*, within the framework of the Political Dialogue.

**Intervention of Mr. GAHR STØRE, on behalf of the EEA - EFTA States:**

Thank you again, and if there is no other business, I would then like to thank you for your interesting contributions and hereby declare this meeting closed.

**Intervention of Ms LEHTOMÄKI, on behalf of the European Union:**

We do share your satisfaction at the end of this 26<sup>th</sup> meeting of our EEA Council and we wish to warmly thank all of you from the EEA - EFTA States, the EFTA Secretariat, the EFTA Surveillance Authority and the Member States of the European Union for your participation in this meeting.

**Intervention of Mr. GAHR STØRE, on behalf of the EEA - EFTA States:**

The meeting is closed.

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Twenty sixth meeting of the

**EEA COUNCIL**

**(Brussels, 12 December 2006)**

**List of Delegations**

**I. The Governments of the EEA – EFTA States were represented as follows:**

**THE KINGDOM OF NORWAY**

H.E. Jonas GAHR STØRE	Minister for Foreign Affairs of Norway
Ms. Oda Helen SLETNES	Ambassador, Head of the Mission of Norway to the European Union
Mr. Helge SKAARA	Deputy Head of the Mission of Norway to the European Union
Ms. Unni KLØVSTAD	Minister Counsellor, Mission of Norway to the European Union
Ms. Anne-Lene DALE SANDSTEN	Head of Communication, Norwegian Ministry of Foreign Affairs
Mr. Niels ENGELSCHIØN	Assistant Deputy Director, Norwegian Ministry of Foreign Affairs
Mr. Ole Bjørn RØEGGEN	Counsellor, Mission of Norway to the European Union
Mr. Inge Hausken THYGESSEN	Second Secretary, Mission of Norway to the European Union

## **THE PRINCIPALITY OF LIECHTENSTEIN**

H.E. Rita KIEBER - BECK	Minister for Foreign Affairs of Liechtenstein
H.S.H. Prince NIKOLAUS of Liechtenstein	Ambassador, Head of the Mission of Liechtenstein to the European Union
Mr. Georges BAUR	Deputy Head of the Mission of Liechtenstein to the European Union
Mr. Pascal SCHAFHAUSER	First Secretary, Mission of Liechtenstein to the European Union

## **THE REPUBLIC OF ICELAND**

Mr. Thorsteinn INGÓLFSSON	Ambassador, Special Envoy of the Minister for Foreign Affairs of Iceland
Mr. Stefán Haukur JÓHANNESSON	Ambassador, Head of the Icelandic Mission to the European Union
Mr. Högni S. KRISTJÁNSSON	Minister Counsellor, Deputy Head of the Icelandic Mission to the European Union
Mr. Martin EYJÓLFSSON	Deputy Director, External Trade Department, Ministry for Foreign Affairs of Iceland
Ms. Ragnheiður Elfa ÞORSTEINSDÓTTIR	Counsellor, Icelandic Mission to the European Union
Ms. Erna S. HALLGRÍMSDÓTTIR	First Secretary, Icelandic Mission to European Union

**II. The Troika of the European Union was represented as follows:**

**PRESIDENCY-IN-OFFICE OF THE EUROPEAN UNION**  
**(THE REPUBLIC OF FINLAND)**

H.E. Paula LEHTOMÄKI	Minister for European Affairs of the Republic of Finland
Mr. Jarno SYRJÄLÄ	Eurocorrespondent
Mr. Roy ERIKSSON	Permanent Representation of Finland to the European Union, Chair of the EFTA Working Party at the Council of the European Union
Mr. Arto HAAPEA	Deputy Adviser to the Minister for European Affairs
Ms. Flora KURIKKALA	Permanent Representation of Finland to the European Union, <i>Attaché</i> at the EFTA Working Party at the Council of the European Union

**THE FEDERAL REPUBLIC OF GERMANY**  
**(INCOMING PRESIDENCY-IN-OFFICE OF THE EUROPEAN UNION)**

H.E. Günter GLOSER	Minister of State for Europe, Foreign Office of the Federal Republic of Germany
Mr. Michael ZENNER	Minister for Political Affairs, Permanent Representation of the Federal Republic of Germany to the European Union
Mr. Manfred SPENGLER	Head of Division, Federal Ministry of Economics and Technology Incoming Chair of the EFTA Working Party at the Council of the European Union



## **EUROPEAN COMMISSION**

Mr. Karel KOVANDA	Deputy Director General in DG RELEX and Political Director
Mr. Matthias BRINKMANN	Head of the Western Europe Unit in DG RELEX
Mr. Peter MEYER	European Economic Area (EEA) Counsellor, DG RELEX
Mr. Vitorio GHIDI	Western Europe Unit, DG RELEX
Mr. Lars-Olof HOLLNER	Western Europe Unit, DG RELEX

## **COUNCIL OF THE EUROPEAN UNION - GENERAL SECRETARIAT**

Mr. Paul CULLEY	Director DG E II, Multilateral Trade, Development and non EU Western Europe
Mr. Massimo PARNISARI	Head of DGE II/2 Unit, Multilateral Trade and non EU Western Europe
Mr. Georgios KRITIKOS	DG E II/2, Desk Officer for non EU Western Europe, including European Free Trade Association (EFTA), European Economic Area (EEA), Norway, Iceland and Liechtenstein

**III. The European Free Trade Association (EFTA) was represented as follows:**

**SECRETARIAT**

Mr. Kåre BRYN	Secretary-General of the European Free trade Association (EFTA)
Ms. Lilja VÍÐARSDÓTTIR	Deputy Secretary-General of the European Free trade Association (EFTA), Brussels,
Ms. Ásta MAGNÚSDÓTTIR	Director, Services, Capital, Persons and Programmes Division
Mr. Gunnar SELVIK	Director, Goods Division
Ms. Hrund HAFSTEINSDOTTIR	Senior Officer, Secretary to the EFTA Standing Committee, EEA Co-ordination Unit

**SURVEILLANCE AUTHORITY**

Mr. Bjørn T. GRYDELAND	President of the EFTA Surveillance Authority
Mr. Kurt JAEGER	College Member
Mr. Kristján Andri STEFÁNSSON	College Member

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**REPORT**

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Subject : Progress Report by the EEA Joint Committee to the 26<sup>th</sup> meeting of the EEA Council

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**Decision-making**

1. Since the last Report to the EEA Council, the EEA Joint Committee has adopted 86 Decisions, incorporating 181 legal acts. New acts are being integrated at a high speed. There are few long-outstanding issues or procedural delays.

**Decision-shaping**

2. On the basis of the relevant provisions of the EEA Agreement, EEA - EFTA experts continued to contribute to the work of Commission's Working Groups and Committees active in the different areas of the Agreement. In the second half of 2006, six EEA - EFTA Comments were submitted.

**New Community bodies**

3. All principal issues relating to EEA co-operation in new EU Agencies have been concluded. Regarding the incorporation of the general food law regulation which i.a. establishes the European Food Safety Authority (EFSA), good progress in revising Iceland's situation in relation to veterinary legislation has meant that the Parties should be ready to finalise draft EEA Joint Committee Decisions on all the relevant horizontal food law acts in the very near future.

4. EEA - EFTA participation in EEA-relevant EU Programmes has also continued to be important in our co-operation. This participation entails a co-financing by the EEA - EFTA States and contributes to the strengthening of the EEA co-operation outside the four freedoms of the Internal Market, thereby promoting the common political and economic goals attached to the EEA Agreement. The Parties are making every effort to achieve a timely participation and financial contribution of the EEA - EFTA States in EEA relevant EU Programmes under preparation for the period 2007 - 2013.

### **Implementation of the EEA Enlargement Agreement**

5. The negotiations regarding Bulgaria and Romania becoming Contracting Parties to the EEA Agreement are ongoing. The EEA Joint Committee urges all parties to step up efforts in order to finalise the EEA enlargement negotiations rapidly.

### **New Financial Mechanisms**

6. The Financial Mechanisms, which were established in May 2004 in connection with the EU and EEA enlargement, have now entered the implementation phase with more than 300 million euros already made available to applicants through open calls for proposals in nine out of the 13 beneficiary States and with calls for proposals planned over the next few months in the remaining beneficiary States. From these calls for proposals, more than 2,500 applications have been submitted in the beneficiary States, which are responsible for prioritising applications to be sent for further appraisal by the Financial Mechanism Office, screening by the European Commission and decision-making by the EEA - EFTA States.

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**CONCLUSIONS**

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Subject : Conclusions of the 26<sup>th</sup> meeting of the EEA Council on 12 December 2006

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1. The twenty-sixth meeting of the EEA Council took place in Brussels on 12 December 2006 under the Presidency of Mr. *Jonas Gahr Støre*, Minister for Foreign Affairs of Norway. The meeting was attended by Mr. *Þorsteinn Ingólfsson* Ambassador, Special Representative of the Minister for Foreign Affairs of Iceland and by Ms. *Rita Kieber-Beck*, Minister for Foreign Affairs of Liechtenstein, from the EEA - EFTA side, as well as by Ms. *Paula Lehtomäki*, Minister for European Affairs of Finland, representing the Presidency of the Council of the European Union, by Members of the Council of the European Union and by the Representative of the European Commission responsible for EEA Council matters, from the EU side.
2. The EEA Council noted that within the framework of the Political Dialogue the Ministers discussed Lebanon, Sudan and Kosovo.
3. The EEA Council regretted the lack of progress made with regard to Bulgaria and Romania becoming Contracting Parties to the EEA Agreement in view of the importance of timely conclusion of the respective Enlargement Agreement. The EEA Council urges all parties to step up efforts in order to conclude these negotiations rapidly.
4. The Ministers underlined the importance for all Contracting Parties to ascertain that public authorities and other relevant actors throughout the European Economic Area remain well informed about the EEA Agreement.

5. The EEA Council noted the progress made in the Lisbon Strategy for Growth and Jobs with a stronger focus on the National Reform Programmes (NRPs), as well as on the Community Lisbon Programme. With energy policy co-ordination being identified as one of the main priorities of the Lisbon Strategy, the Strategy has become increasingly relevant to the EEA - EFTA States. Furthermore, the EEA Council welcomed the EU's broad approach to maritime management that is expressed in the Maritime Policy Green Paper. The EEA - EFTA States look forward to contributing to further discussions on the future EU Maritime Policy.
6. The EEA Council welcomed the adoption of a joint policy framework document for the Northern Dimension Policy, aiming at strengthening all Partners', Participants' and other actors' commitment to the Policy.
7. The Ministers appreciated the progress made in the implementation of the EEA Financial Mechanism and of the Norwegian Financial Mechanism. The Financial Mechanisms are now in the stage of project generation and implementation. The importance of openness, transparency, broad participation and efficiency in the implementation was underlined. The EEA Council welcomed the launch of calls for proposals in Poland, the Czech Republic, Hungary, Portugal, Slovakia, Slovenia, Malta, Estonia, Spain, Lithuania and Cyprus, which will make close to 400 million euros available to potential applicants. The EEA Council reiterated that the Financial Mechanisms provide opportunities to strengthen relations between the EEA - EFTA States, Norway and the beneficiary EU Member States.
8. Regarding the review of the overall work in EEA co-operation, the EEA Council noted the Progress Report of the EEA Joint Committee. The Ministers welcomed the continuation of well-functioning co-operation, the speedy incorporation of new legislation for the Internal Market into the EEA Agreement and reaffirmed the importance of the timely EEA - EFTA participation in EEA-relevant EU Agencies.

The EEA Council in particular:

- Reaffirmed the importance of EEA - EFTA participation in EEA-relevant EU programmes. This participation is co-financed by the EEA - EFTA States and contributes to the strengthening of the EEA co-operation outside the four freedoms of the Internal Market, thereby promoting the common political and economic goals attached to the EEA Agreement. The EEA Council encouraged all Parties involved to make every effort to achieve a timely participation of the EEA - EFTA States in EEA-relevant EU programmes under preparation for the period 2007 - 2013;
- Welcomed the integration of the modernisation of the public procurement rules into the EEA Agreement;
- Looked forward to a Decision by the EEA Joint Committee on EEA -EFTA participation in the European Food Safety Authority (EFSA) in the near future;
- Welcomed the progress made in expanding the scope of the EEA veterinary legislation to Iceland;
- Welcomed the progress made on the Greenhouse Gas Emission Trading Scheme;
- Welcomed the launching of the review on the basis of Article 19 of the EEA Agreement with Norway with the objective of achieving progressive liberalisation of trade in agricultural products.
- Recalled the aim of maintaining the good functioning of the Internal Market in the field of civil aviation and welcomed the integration of the common rules and principles governing the organisation of the European airspace (Single European Sky) into the EEA Agreement;
- Recalled the aim of maintaining the good functioning of the Internal Market, including the field of free movement of persons and called for a rapid integration of the outstanding acquis also in this field according to the provisions of the EEA Agreement;
- Welcomed the new EU Innovation Strategy, in particular the ten priority actions set out at national and European levels;

- Welcomed the close dialogue on the development of a future Internal Market Policy and noted the need to extend the consultations to the planned Fundamental Review of the Single Market;
  - Acknowledged the EEA - EFTA stake in the efforts to establish an improved general framework for services in the Internal Market;
  - Welcomed the continued EEA - EFTA contributions to the decision-shaping process of EEA-relevant EC legislation and programmes through i.a. participation in appropriate committees and working groups, and through EEA - EFTA Comments.
9. The EEA Council held an orientation debate on the prospects for a revitalisation of the Doha Round and its possible implications.
10. The EEA Council recognised the desirability of inviting EEA - EFTA Ministers to attend relevant informal EU Ministerial Meetings as well as Ministerial Conferences on the basis of EEA - EFTA participation in the Internal Market. The EEA Council also recalled the practice of inviting the EEA - EFTA States - at the level of officials - to political dialogue meetings with relevant Council Working Parties in troika format and expressed its appreciation to the incoming German Presidency for the continuation of this practice.
11. The EEA Council noted the Resolutions of the EEA Joint Parliamentary Committee adopted at its 27<sup>th</sup> meeting in Brussels on 10 October 2006 on *The Implementation of EEA Legislation* and on *Enlarging the European Economic Area: Experiences and Perspectives*. It also noted the Resolutions of the EEA Consultative Committee adopted at its 14<sup>th</sup> meeting in Höfn, Iceland on 25 June 2006 on *The Future of the Northern Dimension Policy* and on *The Lisbon Strategy – More Sustainable Growth through National Reforms and Increased EEA Co-operation*.
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