

**EEE 1604/09**

**DRAFT MINUTES**

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Subject :       Draft minutes of the 31st meeting of the EEA Council  
                  Brussels, 19 May 2009

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**DRAFT MINUTES**  
**of the 31st meeting of the**  
**EEA COUNCIL**  
**(Brussels, 19 May 2009)**

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The EEA Council held its 31<sup>st</sup> meeting in Brussels on 19 May 2009.

The meeting was chaired by Mr *Tomáš POJAR* (First Deputy Minister for Foreign Affairs of the *CZECH Republic*), who led the Troika of the European Union composed of him, of Mr *Håkan EMSGÅRD* (Director for EU-Affairs at the Ministry for Foreign Affairs of the *Kingdom of SWEDEN*), Mr *Paul CULLEY* (Director of DG E II of the *GENERAL SECRETARIAT OF THE COUNCIL*) and Mr *Alan SEATTER* (Director in the Directorate General for External Relations of the *EUROPEAN COMMISSION*). At the political dialogue following the EEA Council meeting, participants included in addition Ms *Benita FERRERO WALDNER*, Member of the *EUROPEAN COMMISSION* responsible for External Relations and European Neighbourhood Policy, and Mr *Robert COOPER*, Director General of DG E of the *GENERAL SECRETARIAT OF THE COUNCIL*.

The EEA - EFTA side was chaired by Mr *Össur SKARPHÉDINSSON* (Minister for Foreign Affairs of *ICELAND*), accompanied by Mr *Jonas Gahr STØRE* (Minister for Foreign Affairs of the *Kingdom of NORWAY*) and by Ms *Aurelia FRICK* (Minister for Foreign Affairs of the *Principality of LIECHTENSTEIN*). The EEA - EFTA side also included Mr *Kåre BRYN* (Secretary General of the *EUROPEAN FREE TRADE ASSOCIATION - EFTA*) and Mr *Per SANDERUD* (President of the *EFTA SURVEILLANCE AUTHORITY - ESA*).

**Opening statement of Deputy Foreign Minister POJAR, on behalf of the EUROPEAN UNION:**

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

First of all allow me, also on behalf of the President - in - office of the Council, Mr *Jan KOHOUT* (who, unfortunately, is unable to attend this meeting), to wish you and your delegations on behalf of the Council of the European Union a very warm welcome. We are especially pleased to welcome among us today the new Ministers for Foreign Affairs of Iceland and Liechtenstein, and we extend to you our wishes for success in your new duties. We are certain that the excellent level of co-operation which characterises our relations will be further deepened and developed in the future.

Let me also express my most sincere acknowledgement to you and to the EFTA Secretariat for the excellent co-operation in finalising the arrangements for this meeting.

Thank you.

**1. ADOPTION OF THE AGENDA**

The EEA Council adopted the Agenda, as set out in doc. EEE 1601/1/09 REV 1.

**2. APPROVAL OF THE MINUTES**

of the 30<sup>th</sup> meeting of the EEA Council, which took place in Brussels on 13 November 2008, as set out in doc. EEE 1609/1/08 REV 1.

The EEA Council approved the minutes of the 30<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 by the EEA joint Committee, as set out in doc. EEE 1603/09.

4. **RESOLUTION OF THE EEA JOINT PARLIAMENTARY COMMITTEE ADOPTED AT ITS 32ND MEETING IN STRASBOURG ON 26 MARCH 2009**

The EEA Council noted the Resolution of the EEA Joint Parliamentary Committee adopted at its 32nd meeting in Strasbourg on 26 March 2009 on *The Annual Report on the Functioning of the EEA Agreement in 2008*.

5. **ASSESSMENT OF THE OVERALL FUNCTIONING OF THE EUROPEAN ECONOMIC AREA (EEA) AGREEMENT**

(including maintaining and enhancing the homogeneity of the EEA; decision making and shaping; Lisbon Strategy for growth and jobs and the EEA; Energy and Climate Change; and the Financial Mechanisms)

**Intervention of Deputy Minister POJAR, on behalf of the EUROPEAN UNION:**

Dear colleagues,

Let us now move on to item 5 on the Agenda, concerning the assessment of the overall functioning of the European Economic Area Agreement.

First of all, allow me to recall that at the beginning of this year, we have marked the 15th anniversary of the EEA. It is with happiness and satisfaction that I conclude today, that since the start of the EEA in 1994, we have managed through continuous and considerable efforts to create an unprecedented and dynamic economic integration entity in Europe.

In only fifteen years, the EEA extended from 17 members in 1994 to now 30 member states and 500 million citizens, participating in a broader internal market, which covers nearly all of Western Europe. The close links developed by the EEA members during that period in nearly all areas have proven to be beneficial for all Parties concerned.

We sincerely hope that this success story will continue in the future by leading to always closer links between the current EEA members and allowing the integration of possible new members in due time.

Concerning the assessment of the functioning of the EEA Agreement, our evaluation of the co-operation between the European Union and the EEA EFTA States is in general very positive.



We have of course registered recent developments in one of EEA EFTA states, Iceland, and a more positive feeling about becoming a member of the EU. The EU application is currently under discussion in the Icelandic parliament. The Czech Republic has always been supportive to the enlargement process so we follow the internal political debate of Iceland with great interest.

However, there is currently one point of concern, to which the Czech Presidency attaches particular importance. In the past, the EEA EFTA States, and especially Norway, have significantly contributed to the reduction of social and economic disparities in the EEA, which confirmed that the EEA Agreement is also an instrument of solidarity, prosperity and stability.

Now, while the Financial Mechanisms, through which these contributions were made, expired on 30 April 2009, the negotiations launched last year for their continuation are progressing at a very low pace. We consider this situation to be very serious.

Given the increased cohesion efforts of the Community and of the EU Member States, the growing benefits derived by the EEA EFTA States from their participation in the Internal Market, as well as the remarkable success of the 2004 - 2009 EEA EFTA Financial Mechanisms, it goes without saying, that the EU Member States also attach major importance to the continuation and increase of these contributions, which they consider to be an integral part of the EEA Agreement.

Against the background of this concerning delay, negotiation efforts will have to be intensified. We sincerely hope that solutions to the open questions, in particular the overall amount, will be found in the next weeks, so that Agreements on the future financial contributions can be signed as soon as possible. In this context, it is our wish that the negotiation phase will be concluded at the latest by the end of the Czech Presidency. The Czech Presidency is ready to contribute in a constructive way to seeking acceptable solutions to open questions.

Let me also mention another aspect of cooperation that is of great importance and has been several times discussed in this forum – energy and climate. EEA Council underlined last November the importance of continuous close co-operation between the EU and the EEA

EFTA States in the area of energy and climate change. Energy and climate change is also one of the biggest priorities of the Czech Presidency. We have successfully concluded discussions on the 3rd Energy Market Package. Moreover, the Spring European Council endorsed conclusions on the Second Strategic Energy Review. At this occasion, the European Council defined specific suggestions for further development of the EU energy policy, including the establishment of a crisis mechanism to deal with disruptions of supplies, the development of infrastructures and interconnections and the diversification of sources, fuels and routes of supply. Furthermore, the European Council agreed to support economic recovery in the field of energy by making available 4 billion EUR for projects concerning gas and electricity infrastructure, offshore wind energy and carbon capture and storage.

The Presidency is confident that the legislative projects of EEA relevance will, once transposed in the entire EEA, not only improve the functioning of the broader internal market, but also further enhance our already intensive cooperation on climate change and environmental protection.

As far as the different items under item 5 of the Agenda are concerned, I would now like to pass the floor to the European Commission, who, on the side of the European Union, is principally in charge of the day-to-day functioning of our European Economic Area Agreement.

Thank you.

**Intervention of Mr SEATTER on behalf of the EUROPEAN COMMISSION:**

Mr. President, Ministers

As the EEA Agreement entered into force on January 1st 1994, let me begin, on behalf of Commissioner Ferrero-Waldner, to thank all of you and all our colleagues for 15 years of excellent co-operation in the service of Europe.

I would like to focus my intervention on two issues: firstly on the EEA Agreement in general and secondly on our joint efforts to address economic and social cohesion within the EEA.

At our last meeting in November 2008, the Commission emphasised the extraordinary circumstances faced throughout the economies of the EEA as a result of the global financial and economic crisis. Iceland of course has been particularly badly hit by the crisis, as well as a number of other European economies. In spite of these difficulties, I am pleased to report that the crisis has not over the last six month period prevented us from ensuring the good functioning of the EEA Agreement.

You will have seen the EEA Joint Committee's encouraging progress report to this Council, including the statistics on the amount of new legislation incorporated since our last meeting. Generally speaking, this has helped safeguard a single and homogeneous market throughout the EEA.

Since our last meeting, several important decisions of the EEA Joint Committee have been adopted. I would in particular like to mention the agreement that has been reached to incorporate the services directive into the EEA. The Commission has tried to work closely together with you to make this possible. Incorporating this directive into the EEA will mark a significant step forward in the internal market. We expect quality and choice for consumers to improve as a result, without affecting the rights of workers in these industries. Estimates of the benefits to GDP in Europe as a whole range from an increase of 1 to 3 %, which is important in the current economic climate.

I would also like to mention that we have achieved progress to ensure EEA EFTA participation in the Galileo programme.

Turning to agricultural products, there has been some progress in our negotiations with Norway on further liberalisation of trade in agricultural products on the basis of Article 19 of the EEA Agreement. I hope we can soon reach a mutually acceptable result.

The EU is equally pleased that Norway has agreed to enter into exploratory talks with the Commission towards a review of Protocol 3 to the EEA on trade in processed agricultural products. Our objective is to launch negotiations on this as soon as possible.

So all in all, the EEA has functioned smoothly since our last meeting. We continue to value our close co-operation on energy and climate change issues. But we equally welcome your

support when it comes to issues that do not necessarily fall within the scope of the EEA Agreement, such as the political cooperation you will discuss over lunch, our shared high level of ambition for climate change at the Copenhagen conference as well as on more specific issues such as transatlantic air transport.

In addition to this overall positive assessment of the functioning of the Agreement, I must, however, mention a few issues which are of long-standing.

First, the important Joint Committee Decisions on the Food Law Package were adopted in October 2007 after many years of discussion, including a special arrangement for Iceland. Unfortunately since then, it has not been possible for Iceland to finalise the necessary parliamentary procedures.

What we're talking about here in concrete terms is a package which is designed to ensure a high level of protection of human health and consumers' interests. The agri-food industry is one of the most important producers and employers throughout the EEA. Over 10 million people directly depend on it, with over a third in small firms. The situation we have at the moment is that the gap between the rules which apply in the EU and in the EEA EFTA States continues to grow. This is just creating difficulties for many small firms throughout the EEA. In addition, the EEA EFTA States' cannot participate in the European Food Safety Authority.

We do understand the very special situation that Iceland has been facing, but we very much hope that, with a new Parliament and Government, Iceland can finalise these procedures in the very near future.

On another issue of many years standing, we are still trying to incorporate the Directive on National Ceilings for Atmospheric Pollutants into the EEA Agreement. This is very important in advancing our joint efforts to combat climate change. I am pleased we have now received a draft decision on the directive, so I believe that we can finally see the light at the end of this tunnel.

On the question of market access for fish products, in particular the review of the bilateral protocols with Iceland and Norway, we have made good progress in our consultations. I am confident we will reach a mutually satisfactory solution soon.

Finally, I note that EEA EFTA States have decided not to participate in the Gender Equality Institute on principle, due to the unresolved issue of EEA EFTA seats on the Institute's management board.

The Commission very much values the input that EEA EFTA states can give to the technical work in preparing future policies. It would be unfortunate if similar institutional issues arise in the future in other contexts. So I would plead for a pragmatic approach to this issue.

In conclusion on this point, I can state once again that in general, the EEA Agreement continues to function very well and that we continue to value the active EEA EFTA participation in many important programmes, committees and working groups, as well as the input which we receive in the form of EFTA comments.

Mr. President,

It would be remiss of the Commission not to comment on a subject which remains high on the agenda in the EEA at present, namely the future of our joint efforts to support social and economic cohesion in the EEA.

I think we all agree that the EEA and Norwegian financial mechanisms are a real success story. We are impressed that all funds were committed on time on good projects, and there is a genuine all-round appreciation on the EU side for the solidarity that the EFTA partners have shown in alleviating economic and social disparities.

But economic and social disparities remain very substantial in many regions of the EEA. The challenge of reducing these disparities, especially in the current climate, is more pressing than ever before. The need for solidarity within the EEA has never been greater.

Of course the success of the EEA and Norwegian mechanisms has meant that the demand for some projects has exceeded by far the availability of existing funds.

These reasons underlie the view of the European Union that a substantial increase in financial contributions to cohesion – from Member States as well as EFTA partners – is required to meet these pressing challenges. And the unfulfilled demand for projects means that we can

all be sure that extra funds will be spent on good quality programmes. It is against that background that the Commission is seeking to fulfil the mandate that our Member States have set us in these negotiations.

The 2004-2009 financial mechanisms expired on 30 April, so we were unfortunately not successful in concluding negotiations by that date. However, on the positive side, I would say that we have been discussing this matter in a true spirit of partnership and are like-minded on many issues. We are encouraged that our opening positions on the size of the increase in financial contributions are at last beginning to converge.

Within this context, I would like to reiterate that the Commission would propose to take the special economic situation of Iceland into account. We are prepared to adjust the figures to reflect that, and we are ready to accept, where necessary, a corresponding reduction in the Norwegian bilateral contribution to respect a balance between the two mechanisms.

Mr President, Ministers, the Commission stands at the service of Member States and our EFTA partners to facilitate a mutually satisfactory agreement on this matter as soon as possible.

Thank you very much.

**Intervention of Minister SKARPHÉDINSSON, on behalf of the EEA – EFTA States:**

Dear colleagues,

During our 15 years of cooperation within the framework of the EEA Agreement, we have succeeded to build up a well functioning system of harmonised rules and procedures.

The EEA Agreement has brought our countries closer together not only economically but politically as well, creating a strong bond of solidarity between us beyond the scope of the Agreement itself.

This winter our financial systems have all suffered crisis to a different degree. Of the EEA EFTA States, in Iceland we found ourselves in an exceptionally tough situation, which we haven't seen the end of yet. I would like to thank you for the solidarity expressed.

Fifteen years of cooperation between our countries within the European Economic Area have improved our capability to meet the high waves of the financial crisis and strengthened the buoyancy to regain more rapidly the right course.

We must work together with the rest of the world to restore global growth and employment. The G20 is an important forum to restore the credibility in the global economy. It is clear that the financial system has to be regulated to a certain degree and made more transparent.

International financial institutions should have the necessary backing, financially and politically, to properly carry out their task. Allow me to complement the instrumental role played out by the EU in this regard.

Unfortunately the economic crisis has also had some impact on the functioning of the EEA Agreement – due to the financial and political turbulence in my country. Adoption of Decisions has not gone as smooth as in previous years, and the incorporation of important Decisions was delayed. We look forward to discussing the economic crisis more thoroughly later in our meeting.

Along with the crisis, no issue is as challenging as climate change – a matter which we will continue to tackle long after we have resolved the financial crisis.

This is why we attach great importance to the cooperation between the EU and our Member States in the area of climate and energy. The EEA EFTA States have contributed with their vast experience in new energy resources and technologies; hydro- and geothermal energy and in developing the carbon capture and storage technology (CCS) which will play a fundamental role in reducing the global warming impact of fossil fuels. We welcome the steps taken in this area in the Climate and Energy Package.

The Package sets ambitious targets, increasing energy efficiency and security and will be a significant contribution to reaching a global agreement in the Copenhagen Conference later this year.

An important aspect of this package is the Emission Trading Scheme. New sectors are being added into the scheme and the aviation sector will become a part of the Scheme from 2012. Consideration has to be given to the special circumstances in the EEA EFTA States which are identified as peripheral areas.

One way in finding a solution to the climate problem and secure our energy supplies in the future, is to increase our focus on research and innovation.

A large part of the cooperation between our Member States and the EU takes place within the EEA relevant EU programmes and agencies.

In addition, stakeholders within the EEA EFTA States have been involved in setting up this year's objectives of the Competitiveness and Innovation Programme (CIP) and the European Institute of Innovation and Technology (EIT). The current focus of these two initiatives on intelligent energy and climate change are the crucial elements.

During the lifetime of the EEA Agreement the participation of our Member States in the relevant programmes and agencies has been more or less on an equal footing with the EU Member States.



However, recent developments on the EU side such as decentralization of programme management, new Executive Agencies and increased use of the Open Method of Coordination, have posed certain challenges and reduced access for our Member States. We believe that our involvement and contribution to these processes can be of value for the EU.

We regret that the EEA EFTA States were not granted access to the Management Board of the European Institute for Gender Equality, which was an unfortunate deviation from previous practice.

The negotiations on the future financial contributions after April 2009 are ongoing. It is important to finalize these negotiations. This requires a constructive approach from both sides resulting in a balanced outcome.

As stated by the Commission, I would also like to express regret that it was not possible to conclude the negotiations before the end of April. The EEA EFTA States have demonstrated their will to avoid a protracted process, tabling what we believe are constructive and fair proposals. We hope it continues to be the aim of all parties concerned to achieve a balanced agreement.

Allow me to underline, that a prolongation of negotiations should not in any way affect the good functioning of the EEA.

Finally, we appreciate that the Czech Presidency has facilitated our participation in informal Ministerial meetings and in political dialogues. In the months ahead we look forward to working with our Swedish neighbours in the same way.

Dear colleagues,

As you know the Icelandic government was compelled to introduce protective measures in the form of capital restrictions last November in order to prevent further escalation of the serious economic situation. The measures were notified to our EEA partners according to the Agreement and we are very thankful for the understanding you have all shown towards the situation. However, we are well aware of the influence this has on the functioning of the EEA Agreement and therefore the measures are under constant review and will be lifted as soon as possible.

Iceland has been experiencing a very difficult economic situation after the collapse of the financial sector in October last year. The Icelandic government appreciates the solidarity shown by our EEA partners in the negotiations on the financial mechanism.

The negotiations between the Icelandic government on one hand and the UK and the Netherlands on the other hand regarding the *Icesave* accounts in those countries are ongoing and we hope to finalize them next month.

A new government was formed in Iceland 10 days ago and for the first time in Icelandic history we have a majority left government. There are many issues on the government's agenda and the process regarding possible EU application is ongoing. The government will in the coming days submit a Resolution Proposal to Parliament on application for membership to the European Union.

Thank you.

**Intervention of Minister STØRE, on behalf of the Kingdom of NORWAY:**

Dear colleagues,

(Article 19)

We are experiencing good progress on this point. The last negotiation meeting took place on 21 and 22 April. Requests and offers are now subject to examination on both sides. There are, however, still a few difficult questions related to trade in meat and cheese.

We hope to conclude an agreement shortly, with an aim of entry into force as from 1 January 2010.

This would be the most extensive agreement on trade in agricultural products since the entry into force of the EEA Agreement in 1994.

(Protocol 3 negotiations)

In May 2008, the Parties exchanged information and examined recent developments and possible problems related to trade in products covered by Protocol 3. It was concluded that Protocol 3 works well, and we are now studying how to move forward.

Export of processed agricultural products from the EU to Norway has increased considerably recent years (from 2006 to 2007 by 11.5 %, and from 2007 to 2008 by 13.8 %). We believe that this indicates that EU exporters are competitive on the Norwegian market and that the present arrangement gives room for development of trade in products under Protocol 3.

Protocol 3 was discussed during Commissioner Verheugen's visit to Oslo in April. It was agreed that both Parties prepare a review of the functioning of Protocol 3. A new meeting of the EEA Joint Working Group on Processed Agricultural Products is scheduled on 16 June.

(The Climate and Energy package)

Let me first start on a general note and say that Norway supports the tremendous work done by the EU on fighting climate change. In time leading up to the Copenhagen summit EU has to take the lead. Norway shares the targets set out by the EU.

Norway welcomes the formal adoption of the climate and energy package. It enhances the chances of reaching a solution in climate negotiations in Copenhagen in December.

There are EEA relevant directives and elements in the package. Informal discussions are taking place with the Commission to seek proper implementation.

Like the EU, Norway has ambitious goals on enhancing consumption of renewable energy. Our share of renewable energy is approximately 60 %. The average in the EU is around 10 %. This has to be taken into consideration when discussing the implementation of the Directive into the EEA Agreement. These discussions are ongoing.

Norway is strongly committed to the development and wide use of CCS technologies. We welcome the legal framework for CCS in Europe, providing high standards and ensuring that

CO2 is stored in an environmentally safe manner. Norway has stored CO2 in a geological formation for 13 years. Monitoring data confirms that the CO2 is confined securely within the storage reservoir.

Our Minister for Environment has invited to an international conference on this matter in Bergen the coming week to draw attention to the Copenhagen Conference.

(EU-Ban on Seal Products)

Norway regrets the adoption of a ban by the European Parliament, which we assume will be adopted by the Council sometime later this summer or this coming fall on seal hunting.

The EU ban on trade in seal products challenges our right to sustainably manage our natural resources. We are a coastal state harvesting our resources in a sustainable manner.

We have previously stated that should the EU adopt an extensive ban, we would take the matter to the WTO. We are now actively studying the matter to see if it is in accordance with the WTO.

(Negotiations on Financial Contributions)

First, I agree with the Presidency's statement that the financial mechanisms have been a success and have worked smoothly during 2004-2009. I have myself visited many of the interesting projects in the beneficiary states.

Regarding the negotiations on the future of these mechanisms let me state clearly that we do not consider the Financial Mechanisms as a ticket to join the Internal Market. The EEA Agreement represents a balanced agreement. There is no legal obligation for the EEA EFTA States to contribute. However, we see it as a political commitment to level out the economical and social disparities in Europe, and share this with the EU.

Although we have not reached an agreement, the negotiations remain a constructive process. We have experienced colleagues on the other side of the table and work with them to find a balanced solution as soon as possible.

The negotiations on market access for fish are ongoing in parallel and have to be concluded.

Where do we set the level for our contribution? We have to set up figures which are based on fair criteria. Different criteria lead to different results. The EU side has presented statistical argumentation to back increased contributions. We have to set up figures which we can take back to our parliaments and constituencies and present as a fair deal.

You make reference to a percentage-wise increase. Our understanding of percentage increase is that it should constitute an increase based on where we are today, and not an average of the increase during the last 5 years. The existing system is a fair one. What we have heard from the EU side is a non starter for Norway.

Also, we have from the very outset meant that our contribution is a generous offer. And we want to continue to contribute and find an agreement rapidly. Positions are converging, but there is still some way to go. You are aware of how we negotiate and of our positions, we have done this before. I was in charge of the negotiations on the contributions to Romania and Bulgaria. As then, we want a fair deal to present to our parliaments.

This becomes difficult when we are being presented with figures that appear different depending on where you sit at the table. However, we are in good faith and continue the work to find a solution as soon as possible.

Thank you.

**Intervention of Minister FRICK, on behalf of the Principality of LIECHTENSTEIN:**

Chairman,

Firstly, I would like to thank you for the words of welcome. I am looking forward to work with you, Mr. Chairman, with my colleagues and the Commission in the EEA. Liechtenstein's policy of European integration will be on the top of my agenda as new Foreign Minister.

But let me first briefly revert to the functioning of the EEA. My Icelandic colleague has summarized the general positions of the EEA EFTA States. In particular, I would like to associate myself with the expression of gratitude towards the Czech Presidency for the excellent cooperation within the EEA. On the EFTA-side, we depend on a good working relationship with the Presidency and with the Commission, and both have contributed to the smooth functioning of the Agreement in the last few months.

Certainly, there are some issues that have not - or not yet - found a satisfactory answer, as our Icelandic Chairman also mentioned. Let me just concentrate on one that is of political importance and created, more than once, frictions between the EFTA and the EU-side. Our financial contributions to the Cohesion Policy within the EEA after April 2009 are still under negotiations. The modalities seem mainly settled for a new EEA Financial Mechanism in continuity of the one before. It is the amount of the contributions that are the main stumbling block. Since 1998, the Liechtenstein contribution has increased by more than 400%. For the past increases, good reasons existed for these steps. This time, however, no valid argument has been forwarded for a substantial increase. I don't want to go into the details of this. But we can't defend an increase before our voters, if we can't present them with a good reason. Let me mention, in this context, that in parallel to the negotiations on the future financial contributions, negotiations for a better market access for our two EEA EFTA partners are underway.

Even outside the EEA Agreement, Liechtenstein has shown and is showing its preparedness to widen and deepen the relationship with the EU. This cooperation is less and less limited to the EEA, even if it remains the main legal bases for our cooperation. To have an overall approach in this relationship will therefore be my ambition as new Liechtenstein Foreign Minister. We are living in a time of change, and we might also see some changes within the EEA itself, in the not too distant future. I want to assure you, Mr. Chairman, that I will do my utmost best to contribute to forward-looking solutions in this European construction that has bigger and smaller stakeholders.

Thank you.

## 6. **ORIENTATION DEBATE:**

### **FINANCIAL CRISIS: TOWARDS A NEW REGULATORY REGIME**

#### **Intervention of Deputy Minister POJAR, on behalf of the EUROPEAN UNION:**

Dear colleagues,

Let's now turn to the next item of the agenda, our orientation debate on the *Financial Crisis: Towards a new regulatory regime*.

The international financial crisis is affecting all European countries and has now spread to the real economy. Unemployment is set to rise as a consequence and social and political unrest may follow. In these difficult times it is imperative that we work together to correct imbalances, solve problems and support economies and sectors in jeopardy. We have already seen that sending out a strong message of coordination and cooperation can help stabilise markets and restore confidence.

One of the most important expressions of this coordinated and cooperative approach has been the meetings of G20 Leaders in November last year and in April this year. The need to convene leaders from the twenty most important and emerging economies stemmed from the realisation that all countries were hit by the current crisis and that the solution could not be found within the G7 or G8 group alone.

The November meeting of G20 Leaders was particularly important in view of the topic on our agenda today. At the Washington meeting Leaders reached agreement on an action plan of almost fifty measures to take in the short or medium term. Measures included:

- the mitigation of pro-cyclicality in regulation;
- reviewing international accounting standards;
- improving the functioning of derivatives markets;
- reviewing executive compensation schemes;
- harmonising capital definitions to achieve comparable measures of capital adequacy;
- improving the supervision, incentive structures and functioning of credit rating agencies;
- strengthening capital requirements for banks;

- strengthening the risk management practices of banks;
- improving the management of liquidity risk;
- developing new stress-testing models;
- reforming and strengthening the IMF and other international financial institutions.

I am very pleased to report that significant progress has been made on all these points. The London Summit in April took stock of the situation and noted with satisfaction that Europe, alongside several other jurisdictions, had moved forward on most points of the G20 action plan.

Let me run through some of the measures taken at EC level to live up to the action plan:

- a task force has looked into and reported on pro-cyclicality of regulation;
- international accounting standards have been reviewed and updated on several occasions;
- agreement has been reached on amendments to the existing capital requirement regarding securitisation, derivatives, risk management, stress testing and liquidity risk;
- a new coverage level for deposit guarantee schemes has been implemented;
- agreement has been reached on a regulation of credit rating agencies;
- agreement has been reached on new solvency rules for the insurance sector;
- the London Summit reached agreement on how to reinforce the resources of the IMF, the World Bank and other multilateral development banks, and the EU is currently exploring how best to help implement that agreement.

To the extent that legislation has resulted, or will result, from the above agreements – notably concerning credit rating agencies, capital requirements and solvency – it will also be of relevance to the EEA.

One area where more work remains to be done is supervisory reform, where a group of independent experts led by Jacques de Larosière recently presented a report and a set of recommendations. The Commission and the Council will to a large extent follow these recommendations and hope to put the necessary legislation in place before the end of the year. Here again the legislation to be adopted will to a large extent be of EEA relevance.

Finally, the EU is very pleased with the progress made in better cooperation and exchange of information in the tax area, in particular progress made with regard to an anti-fraud agreement with Lichtenstein.

Thank you very much.



## **Intervention of Mr SEATTER on behalf of the EUROPEAN COMMISSION:**

Mr. President, Ministers,

It would be impossible to start off a discussion on the financial crisis in the context of the EEA without mentioning the serious situation in Iceland, and reiterating the solidarity which the EU expressed last year, and the sympathy expressed directly to the Prime Minister of Iceland at the time by the President of the Commission as well as a number of heads of government.

More generally, public discussion on the financial crisis has tended to focus on two aspects : the global imbalances in the world economy; and the regulation of the financial system. Global imbalances are largely perceived as a consequence of China building up reserves at the rate of over \$600 billion a year, financing comparable deficits within the United States. This is clearly an unsustainable situation over which any one group of countries such as the EU has little influence. The problem is global. That is why the EU, collectively as well as individual Member States, has put so much effort into finding a global solution through the G20.

At the same time, there is a clear public perception of a failure in some countries to ensure proper regulation and supervision of the financial sector. Not all countries have been equally affected by this – in some countries in Europe, there are no real problems within the banking sector.

Sometimes, the public debate is expressed in terms of a conflict between addressing global imbalances on the one hand, and regulating financial markets on the other; between economic stimulus packages, and financial supervision. But in the end, the consensus that emerged from the G20 stressed both aspects. From the EU's perspective, Member States and the Commission were reassured that what came out of the G20 was similar to the conclusions that EU heads of government drew in the Council meeting before the G20. There is a consensus that we now need to work more closely with our partners to implement what was agreed.

I would like to focus essentially on the question of regulation, which is today's topic. I won't go into the details of the monetary measures taken by the European Central Bank, nor the financial rescue packages which Member States have put in place.

The only point I would like to stress in relation to that is the aspect relating to the Single Market. As Member States responded to the crisis by for example, giving state-backed guarantees to banks, or injecting fresh capital into bank balance sheets, it became necessary to ensure that the principles of the Single Market would be respected. This applies in particular to ensuring fair competition amongst companies and other banks in the internal market. Therefore, the Commission and the ECB have provided guidance to Member States on state aid, pricing of guarantees, recapitalisation of financial institutions and the treatment of impaired assets of financial institutions.

It is for Member States to decide whether to use these tools and how they are designed. But a common and coordinated European framework will help ensure asset relief measures have maximum effect.

So far, Member States have committed about 270 billion euro for recapitalisation of banks and about 3,200 billion euro for enhancing bank access to funding for example via guarantees or exchange of assets.

Coordinated European action to recapitalise and guarantee banks across the EU has prevented the meltdown of the European banking industry and has already brought some degree of stabilisation to the financial system and there are now some signs that banks' reluctance to lend to other banks is easing up.

Now I would like to turn to the main topic of regulatory reform.

In November last year, the Commission mandated a High Level Group chaired by Mr. Jacques de Larosière to propose recommendations for financial reform. Building on their recommendations, the Commission is developing proposals to establish a new European financial supervision system.

Further, drawing on views expressed by Member States, the existing Committees, the European Parliament, the ECB and other stakeholders, the Commission will prepare proposals for a new reform programme, in line with the principles, not of more regulation, but better regulation.

These ideas are only now being developed into Commission proposals, and Member States and the European Parliament will decide how they deal with these. But I wanted to give you a flavour of the sorts of ideas under consideration at this early stage.

We have five key objectives:

First, to provide the EU with a supervisory framework that detects potential risks early, deals with them effectively before they have an impact, and meets the challenge of complex international financial markets.

On the timing, the Commission will present a European financial supervision package before the end of May 2009, for decision at the June European Council. The legislative changes to give effect to these proposals will follow in the autumn and should be adopted in time for the renewed supervisory arrangements to be up and running in the course of 2010.

The package will include two elements:

- Setting up a European Systemic Risk Council to oversee the stability of the financial system as a whole, to collect and analyse macro-financial information and issue risk warnings and recommendations.
- Revising the European financial supervision system to strengthen cooperation between supervisors of different Member States and ensure the exchange of all important information between the home and host country supervisors.

Secondly, to fill any regulatory gaps, the Commission is proposing:

- Legislation to establish regulatory and supervisory standards for hedge funds, private equity and other systemically important market players
- A White Paper on tools for early intervention to prevent a crisis
- Initiatives to increase transparency of complex products such as derivatives

- Legislative proposals to increase the quality and quantity of prudential capital for trading book activities, to tackle complex securitisation and to address liquidity risk and excessive leverage.

Thirdly, to ensure that European investors, consumers and small firms can be confident about their savings, have access to credit, and should not be concerned about the real content of certain financial products. To that end, the Commission will come forward with:

- Ideas on retail investment products to strengthen the effectiveness of marketing safeguards
- Measures to reinforce the protection of bank depositors, investor and insurance policy holders
- Measures on responsible lending and borrowing.

Fourthly, to improve risk management in financial firms and to align pay incentives with sustainable performance. To achieve this objective, the Commission will:

- Bring forward a new Recommendation on remuneration in the financial services sector.

Finally, the fifth objective of the reform package is to ensure more effective sanctions against market wrong-doing. Here the Commission intends to:

- Review the Market Abuse Directive and
- Make proposals on how sanctions could be strengthened in a harmonised manner and better enforced.

In helping us prepare these proposals, the Commission is working closely together with our international partners in several fora, notably in the Financial Stability Forum and now also in the Financial Supervisory Body, in the G-20, in the G-8, in the International Accounting Standards Board, and in the Basel Committee.

Mr. President,

As I said at the outset, the London G-20 meeting demonstrated a global consensus on the need for reform. We are acting within the EU to deliver on our commitments. We very much appreciate your support for what has already been done, and we will continue to value a close dialogue with you on all these up-coming challenges.

Thank you very much.

**Intervention of Minister SKARPHÉDINSSON, on behalf of the EEA – EFTA States:**

Dear Colleagues,

The financial downturn that began in the summer of 2007 has since manifested into the most challenging and serious global economic crisis since the Great Depression. Although there are some signs that the speed of the downturn may be easing, most officials are cautious about the future.

Europe has been hit hard. The latest IMF forecast expects a 4,2% contraction for the euro-zone economy, and much worse for some European economies outside the euro-zone, including Iceland.

As you know, Iceland was among the first countries to be hit by the global financial crisis last fall and was in the headlines of the international media for rather unenviable reasons.

Allow me to give you a brief overview of the current situation.

First, the IMF stabilization programme is on track. My government is firmly committed to the Programme, which I am pleased to report is largely on track. The focus is on stabilizing the exchange rate, revising fiscal policy and restructuring the banking sector.

The IMF programme is vital for re-establishing confidence in the economy, and despite increased unemployment and debt, other economic data seem to be slowly developing in our favour. The balance of trade with other countries is now positive, foreign exchange revenues are gradually increasing, inflation is going down, and interest rates are expected to be lowered further.

Second, wide-ranging domestic reforms are ongoing. Although global factors like the international credit crunch contributed to the financial crisis, it is clear that Iceland made its own mistakes. The banks overextended themselves and we now realize that authorities should have fulfilled their supervisory role more vigorously.

With the assistance of renowned international experts, we have implemented reforms in areas such as banking and financial supervision. A thorough investigation has been launched on the sources of the crisis and possible criminal offences. And political reform is ongoing, evidenced last month through General Parliamentary elections where a new majority government was voted in.

Finally, I am cautiously optimistic about Iceland's long-term prospects. And despite a bleak short-term outlook, which does not foresee economic growth to pick up until 2011, Iceland has positive long-term prospects for recovery. The fundamentals of Iceland remain strong. The sustainable utilization of clean energy and marine resources backed by a good infrastructure, a culture of innovation, and a young and well educated workforce, all work in our favour.

My government values the strong support and solidarity that has been shown by colleagues around this table. By the same token, Iceland expresses solidarity with other countries that are facing similar difficulties and remains committed to common international cooperation.

Iceland's experience also highlights broader issues being discussed today; how all countries are vulnerable to the vagaries of the global financial marketplace - irrespective of national borders - and how severe the consequences of inadequate regulatory and supervisory measures can be.

The underlying causes of the current financial crisis are many, but insufficient regulation and supervision are generally seen as one of the main contributory factors.

A consensus has now emerged on the urgent need for a substantial reform of the global financial architecture and its regulatory system, as well as a new approach to dealing with the underlying economic imbalances between countries and regions. These are among the most important tasks now being addressed by the United Nations, the International Financial Institutions and the Group of 20, among many others.

At the European level, there is an urgent need to address the underlying causes of the crisis beyond the stabilization of financial markets. The European Union should be acknowledged for taking decisive steps to prevent systemic failure last fall and for charting an ambitious path towards comprehensive reform measures of the financial sector during the course of 2009.

We have an obligation to draw the right lessons from this financial crisis and acknowledge some basic shortcomings, including failures in the regulatory and supervisory framework for the single market and its negative impact on the EEA Agreement. Indeed, the case of Iceland highlights some of these risks to the single market, in particular the shortcomings of the deposit guarantee schemes and the difficulties of managing an independent monetary policy - with a small currency - in an economic area with free financial flows.

In general, Iceland agrees with the analyses and proposals outlined by the EU and can endorse the reforms suggested. This was evidenced in Iceland's comments last month on the recommendation in the de Larosi re report and on the Commission's Communication of March 4th 2009, and in the EEA EFTA comments on the same report.

Iceland wants to contribute to developing a more effective and pro-active financial regulatory and supervisory structure. This is only right, considering Iceland's already full integration into the legislative framework of the single market. In this vein, the proposed establishment of a new EU supervisory architecture, including a European Risk Council under the ECB, must allow for the participation of all central banks in the EEA.

Furthermore, Iceland urges the Commission to speed up the ongoing revision of the EU Directive on deposit guarantee schemes, especially in light of the experience gained from the collapse of the Icelandic banks. The amendments to Directive 94/19/EEC earlier this year on funding levels and payments were a positive step, but additional measures are still needed. For example, the approach to bank pass-porting, which allows for the establishment of branches in any EEA country on the basis of the mother bank's licence, requires further review. The supervisory powers of the host country regulators, and cooperation at the European level under European-wide processes to assess the effectiveness of home country supervision, must be strengthened.

The future regulatory system that will take shape at the end of this process must ensure that financial markets serve the needs of our citizens. It must ensure that a new balance is struck between governments and markets that provide our societies with financial stability as a global public good.

We look forward to working closely with Member States and the Commission towards a new regulatory regime in Europe that can achieve these goals.

Thank you.

**Intervention of Minister FRICK, on behalf of the Principality of LIECHTENSTEIN:**

Chairman,

I will be brief on this point, as most has been said.

First, let me express our support for the measures taken by the Commission on the basis of the Larosière Report. More European and international coordination in the field of Financial Services is needed. The issue is not so much that we lack regulations for these services but that they apparently were the wrong ones, need considerable repair or at least better implementation.

In the context of the financial crises, the need for more tax cooperation has frequently been mentioned. The coming about of this crisis has little to do with the often perceived lack of tax cooperation. But it is sure that in times of financial needs, the improvement of state income is an urgent necessity. Liechtenstein has declared last year, that it is prepared to go a long way not least in the exchange of tax information. I am glad to say that in the meantime negotiations are bearing the first fruits. I would like to underline here that our Government is prepared to quickly conclude an agreement to combat fraud with the EU and its Member States on the basis of the OECD standards. But we are also prepared to go further with those partners that express the wish for a more comprehensive tax approach.

Like all European countries, Liechtenstein has suffered from this economic backlash. Our markets are Europe and the world, especially for our manufacturing industry that remains the main pillar of our economy. We therefore support a good system of international regulations and, I would say, we are prepared for it. None of our financial institutions came under stress, thanks to a good supervisory system and sound capitalization. We are therefore confident that we will master this storm, even though we will have to get used to more modest material results.

Thank you.



**Intervention of Minister STØRE, on behalf of the Kingdom of NORWAY:**

Dear colleagues,

The financial crisis has hit the world economy hard. Europe is seriously affected. It is too early to assess the damage the crisis will have, new prognosis and estimates are introduced on a regular basis and the trends are grim. In Europe the effects on the real economy are serious; the demand is failing, production drops and the unemployment rates are rising. In weak states, but also in more consolidated countries, the situation represents a challenge and can easily come out of control.

Major failures in the financial sector and in financial regulation and supervision were fundamental causes of the crisis. This was reinforced by the fact that the financial sector is global whereas the oversight mechanisms are national. Furthermore, in some countries the oversight mechanism has been split on different institutions, which has not been helpful in the current situation.

The roots of the sub-prime crisis may be found in strong growth in financial products and financial institutions which have not been subject to regulation, prudential supervision and capital requirements. Norway sees it as an overarching goal to close these gaps and ensure that the whole financial sector is subject to supervision and regulation, and that regulation between different segments of the market is mutually consistent (based on the principle of 'same risk, same regulation' ). All relevant financial actors and all types of financial instruments need to be subject to appropriate regulation and oversight.

There is now a global consensus on enhancing sound regulations and increase the transparency in the financial sector. This is one of the outcomes of the G20-meeting in London in April. The leaders clearly stated that confidence in the financial sector will not be restored until trust in the financial system is re-established and committed themselves to ensure strong domestic regulatory systems as well as increasing international cooperation. It was agreed to establish a new Financial Stability Board with a stronger mandate than its predecessor (the Financial Stability Forum) with close collaboration with the IMF. A global crisis requires a global solution. In my opinion, the G20 laid the basis for increased cooperation towards an enhanced regulatory regime. The challenge will be how to

operationalize and implement a new system to ensure that past mistakes will not be repeated.

We welcome the work of the G20. However, the follow-up of the proposals must be anchored in a truly multilateral and institutional framework, e.g. within the IMF, where all parties are represented. And the Financial Stability Board's membership should be further expanded to enhance its legitimacy.

We have with interest taken note of the report from the de Larosière-group. The report contains various proposals to ensure a strengthened regulatory framework at European level, including a new supervisory structure. As we have pointed out in a communication to the Commission publication in April, the proposals with regard to the new supervisory structure should be followed up swiftly. The current financial crisis and the consequence for the global financial system have revealed the importance of introducing a macro-prudential approach alongside with improved micro-prudential arrangements to the EU supervisory architecture. As we see it, the methods for monitoring financial stability need to be improved. We therefore welcome the Commission's initiative to review and further improve the European supervisory arrangements covering all financial sectors.

In order to implement the proposals, extensive legal reforms are needed. Some of the proposals also constitute legal challenges for the EEA EFTA States. The de Larosière-group proposes that new EU supervisory authorities should be mandated to adopt legally binding standards. At national level, supervisory authorities have different mandates and are not always empowered to adopt regulations. Hence it might be a challenge to give the EU authorities mandate to adopt decisions that are binding on the national supervisory authorities. In Norway's opinion the responsibility for the supervision of financial institutions should remain with the home state supervisory authorities. The new authorities as proposed by the de Larosière-group may have a mediation or consultation role in case of disputes between national supervisors, but the final decision should ultimately lie with the responsible competent authorities.

The de Larosière-report also contains recommendations for regulatory amendments other than a new supervisory structure. Areas which today remain unregulated, or where the current legislation has proved inadequate, are proposed to be regulated. Many of these proposals sound adequate and well founded. New EU-regulation should be of such a quality that

additional national standards normally are superfluous. However, taking into account the variety between the EEA Member States, it is important that the EU-regulation also in the future gives leeway for national authorities to take into consideration national conditions and needs when implementing EU-regulation into national legislation.

Experience has shown us that poor a legal framework and a fragmented supervision may have widespread consequences. Thus, it is of great importance that financial regulation and the supervision of institutions are of high standards. The reforms must ensure efficient and consolidated regulation and supervision of financial markets across the EEA, whilst allowing national states to maintain a strong protection of financial stability and consumer protection.

Norway will continue to actively engage with the processes, both within the EEA-framework and other relevant forums, with regard to a better regulation of the financial markets. We look forward to the Communication the Commission intends to present with proposals on the future EU supervisory architecture.

Thank you very much.

**Intervention of Deputy Minister POJAR, on behalf of the EUROPEAN UNION:**

I think this brings us to the end of our orientation debate.

**7. ADOPTION OF THE CONCLUSIONS OF THE 31<sup>st</sup> EEA COUNCIL**

The EEA Council adopted its Conclusions, as set out in doc. EEE 1602/3/09 REV 3.

**8. OTHER BUSINESS**

The EEA Council noted that following its meeting, a debate on Trans-Atlantic relations, the Middle East and Afghanistan would be held within the framework of the Political Dialogue.

**Intervention of Deputy Minister POJAR, on behalf of the EUROPEAN UNION:**

We have then concluded the examination of the items on our Agenda.

Allow me to express my satisfaction at the closure of this 31<sup>st</sup> EEA Council meeting and to thank all of you from the EEA EFTA States, the EFTA Secretariat, the EFTA Surveillance Authority and the EU Member States for your participation in this meeting.

**Intervention of Minister SKARPHÉDINSSON, on behalf of the EEA – EFTA States:**

We do share your satisfaction at the end of this 31<sup>st</sup> meeting of our EEA Council.

**Intervention of Deputy Minister POJAR, on behalf of the EUROPEAN UNION:**

Hence, I declare the meeting closed.

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**31st meeting of the**  
**EEA COUNCIL**  
**(Brussels, 19 May 2009)**

**LIST OF DELEGATIONS**

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

**ICELAND**

Mr Össur SKARPHÉDINSSON	Minister for Foreign Affairs
Mr Kristjan Guy BURGESS	Political Adviser to the Minister
Mr Martin EYJÓLFSSON	Director General, Directorate for Trade and Economic Affairs
Mr Högni S. KRISTJÁNSSON	Director European Affairs
Mr Stefán Haukur JÓHANNESSON	Ambassador, Icelandic Mission to the EU
Ms Ragnheiður Elfa ÞORSTEINSDÓTTIR	Deputy Head of Mission, Icelandic Mission to the EU
Ms Þóra MAGNÚSDÓTTIR	Counsellor, Icelandic Mission to the EU
Ms Erna S. HALLGRÍMSDÓTTIR	Counsellor, Icelandic Mission to the EU

**THE KINGDOM OF NORWAY**

Mr Jonas Gahr STØRE	Minister for Foreign Affairs
Mrs Oda Helen SLETNES	Ambassador, Mission of Norway to the EU
Mr Helge SKAARA	Minister, Mission of Norway to the EU
Mr Christian SYSE	Director General, Ministry for Foreign Affairs, Department for European Affairs and Trade Policy
Mrs Ragnhild IMERSLUND	Assistant Director General, Ministry for Foreign Affairs, Communication Unit

Mrs Anne Sofie BJELLAND	Minister Counsellor, Mission of Norway to the EU
Ms Ingeborg DJUPVIK	Counsellor, Mission of Norway to the EU
Ms Kari SYVERUD	Counsellor for Economic Affairs, Mission of Norway to the EU
Mr Rune BJÅSTAD	Counsellor, Information and press, Mission of Norway to the EU
Ms Mari OWREN	Adviser, Ministry of Foreign Affairs

### **THE PRINCIPALITY OF LIECHTENSTEIN**

Ms Aurelia FRICK	Minister for Foreign Affairs
Mr Edgar NIPP	Personal Counsellor
Prince Nikolaus of LIECHTENSTEIN	Ambassador, Head of the Mission of Liechtenstein to the EU
Mr Georges BAUR	Deputy Head of the Mission of Liechtenstein to the EU
Mr Pascal SCHAFHAUSER	Counsellor, Mission of Liechtenstein to the EU
Mr Thomas BISCHOF	Second Secretary, Mission of Liechtenstein to the EU

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

### **CZECH REPUBLIC**

#### **(PRESIDENCY-IN-OFFICE OF THE COUNCIL OF THE EUROPEAN UNION)**

Mr Tomáš POJAR	First Deputy Minister for Foreign Affairs
Mr Pavel VACEK	Director of EU Policies Department II, Ministry for Foreign Affairs
Ms Alice SOUKUPOVA	Permanent Representation of the Czech Republic to the EU, Chair of the EFTA Working Party at the Council of the EU
Ms Jana MARSALKOVA	Ministry for Foreign Affairs, EU Policies Department II

**THE KINGDOM OF SWEDEN**

**(INCOMING PRESIDENCY-IN-OFFICE OF THE COUNCIL OF THE EUROPEAN UNION)**

Mr Håkan EMSGÅRD

Director for EU-Affairs

Mr Mikael ANZÉN

Permanent Representation of Sweden to the EU,  
incoming Chair of the EFTA Working Party at  
the Council of the EU

Ms Jessica Olausson

Desk officer at the EU-correspondent, Ministry  
for Foreign Affairs

**EUROPEAN COMMISSION**

Mr Alan SEATTER

Director, DG External Relations

Mr Matthias BRINKMANN

Head of Unit, DG External Relations

Mr Peter MEYER

Principal Administrator, Western Europe Unit,  
DG External Relations

Mr Lars-Olof HOLLNER

Principal Administrator, Western Europe Unit,  
DG External Relations

Ms Alison LAWRENCE-MOLDERS

Assistant, DG External Relations

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

Mr Paul CULLEY

Director of DG E II

Mr Massimo PARNISARI

Head of Unit Multilateral Economic Affairs -  
Non EU Western Europe

Mrs Bärbel DÜRHAGER

Desk Officer for Non EU Western Europe

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

#### **SECRETARIAT**

Mr Kåre BRYN	Secretary General, EFTA
Ms Bergdís ELLERTSDÓTTIR	Deputy Secretary General, EFTA
Mr Lars Erik NORDGAARD	Director, EEA Co-ordination Division, EFTA
Ms Ásta MAGNÚSDÓTTIR	Director, Services, Capital, Persons and Programmes Division, EFTA
Mr Gunnar SELVIK	Director, Goods Division, EFTA
Ms Hrund HAFSTEINSDÓTTIR	Senior Officer, EEA Co-ordination Division, EFTA
Ms Magne HAREIDE	Temporary Officer, EEA Co-ordination Division, EFTA

#### **SURVEILLANCE AUTHORITY**

Mr Per SANDERUD	President
Mr Kurt JÄGER	College Member
Mr Kristján Andri STEFÁNSSON	College Member
Mr Inge Hausken THYGESEN	Press and Information Officer



**EUROPEAN ECONOMIC AREA  
Council of the EEA**

**Brussels, 14 May 2009**

**EEE 1603/09**

## **REPORT**

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Subject : Progress Report by the EEA Joint Committee to the 31<sup>st</sup> meeting of the EEA Council

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### **Decision-making**

1. Since the last EEA Council in November of last year, the EEA Joint Committee has adopted 58 Decisions incorporating 112 legal acts.
2. Important decisions taken by the EEA Joint Committee since the last EEA Council on 13 November include the following:
  - Decision 16/2009 Consumer Credit Directive
  - Decision 21/2009 establishing a system for identification and registration of bovine animals and labelling of beef and beef products
  - Decision 40/2009 on a European Qualifications Framework

Agreement was reached on the incorporation of the Services Directive into the EEA Agreement.

### **Decision-shaping**

3. EEA EFTA experts continue to contribute to the work of Commission's Working Groups, Agencies, and Committees. Since November 2008, seven EEA EFTA Comments have been taken note of by the EEA Joint Committee:
  - EEA EFTA Comment on novel foods.

- EEA EFTA Comment on the provision of food information to consumers.
- EEA EFTA Position on establishing the European Electronic Communications Market Authority.
- EEA EFTA Comment on Consumer Rights.
- EEA EFTA Comments on the Regulation on Roaming on public mobile telephone networks within the Community and on a common regulatory framework for electronic communications networks and services.
- EEA EFTA Comment on the Green Paper from the Commission of 10 December 2008 on the European Workforce for Health.
- EEA EFTA Comment on a new European Supervisory Framework.

#### **Notification from Iceland of protective measures under Article 43 of the EEA Agreement**

4. On 28 November 2008, the Icelandic Government sent a notification of protective measures in accordance with Article 43 of the EEA Agreement with regard to capital movement, in line with the procedure foreseen in Article 45 of the EEA Agreement. The Notification was presented in the EEA Joint Committee on 5 December. These measures were reviewed by the Icelandic Central Bank on 1 March, which concluded that they would have to be continued. The next review will take place no later than 1 September 2009. On 1 April 2009, the Icelandic Government sent a notification of modified protective measures notified under Article 43 of the EEA Agreement.

#### **Status of Outstanding Issues**

5. A solution could not be found for the EEA EFTA participation on the Management Board of the European Institute for Gender Equality. As a result, the EEA EFTA States withdrew the draft Joint Committee Decision and will not participate in the Institute.

6. The EEA EFTA States continue their discussions with the Commission on the access of EFTA citizens to work in the Commission's Executive Agencies.
7. The entry into force of the Food Law Package of 26 October 2007 continues to be delayed due to parliamentary procedures in Iceland.
8. The EEA EFTA States brought up a request from the EEA Joint Parliamentary Committee, as to whether it would be possible to send EEA relevant legislative proposals from the Commission directly to the EEA EFTA national parliaments. The matter will be pursued within the EEA Joint Committee.

### **Financial Mechanisms**

9. The negotiations on the future of financial contributions by the EEA EFTA States to the reduction of economic and social disparities were launched in September last year. All parties have declared their commitment to finalise the negotiations in time.
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**EUROPEAN ECONOMIC AREA  
Council of the EEA**

**Brussels, 19 May 2009**

**EEE 1602/3/09  
REV 3**

## **CONCLUSIONS**

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Subject : Conclusions of the 31<sup>st</sup> meeting of the EEA Council  
Brussels, 19 May 2009

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1. The thirty-first meeting of the EEA Council took place in Brussels on 19 May 2009 under the Presidency of Mr Tomáš Pojar, First Deputy Minister for Foreign Affairs of the Czech Republic. The meeting was attended by Mr Össur Skarphéðinsson, Minister for Foreign Affairs of Iceland, by Dr Aurelia Frick, Minister of Foreign Affairs of Liechtenstein and by Mr Jonas Gahr Støre, Minister of Foreign Affairs of Norway, by Members of the Council of the European Union and by a Representative of the European Commission.
2. The EEA Council noted that within the framework of the Political Dialogue, the Ministers discussed Trans-Atlantic relations, the Middle East and Afghanistan.
3. The EEA Council underlined the need for a coordinated and comprehensive action to restore global growth and to re-establish the banking industry's willingness/capacity to lend out money. The EEA Council stressed the importance of promoting synergy, solidarity and cooperation at European level. Ministers endorsed the goals agreed upon in the G20 Summit on 2 April and agreed that one of the main priorities remains to strengthen the financial system with the appropriate degree of regulation and oversight, based on the principle of transparency. They welcomed the agreement made to increase the funding of the IMF; to maximise the effectiveness of the measures taken, the EEA Council encouraged further international cooperation to enhance the effectiveness of the IMF and the Financial Stability Board (FSB).

4. The EEA Council welcomed the report of the high-level group on financial supervision in the EU and the Communication from the Commission on Driving European Recovery, in particular the recommendations, the enhancement of sound regulation (i.a. credit agencies and remuneration policies) and the promotion of integrity in the financial markets. The EEA Council furthermore emphasised the need for an inclusive supervisory framework.
5. The EEA Council welcomed the annual progress report approved by the European Council in March and looked forward to the post-2010 Lisbon Strategy for growth and employment. The EEA EFTA States are closely following the developments of the Strategy, with a view to participating in relevant parts.
6. The EEA Council welcomed the agreement achieved between the Council of the EU and the European Parliament on the Third Liberalisation Package, aiming for an effective and interconnected European energy market.
7. The EEA Council reiterated the importance of the Climate and Energy Package agreed by the EU in December 2008. The EEA Council highlighted the importance of the Package in contributing to a successful outcome of the United Nations Climate Change Conference in Copenhagen in December 2009. The importance of continuous close co-operation between the EU and the EEA EFTA States in the area of energy and climate change was underlined, and especially on the emission trading scheme, the promotion of low carbon energy technologies, energy efficiency, renewable energy resources and as well as on carbon capture and storage (CCS). Relevant parts of the Climate and Energy Package will be incorporated into the EEA Agreement.
8. The Ministers expressed their satisfaction with the successful round-up of commitments under the EEA and Norwegian Financial Mechanisms 2004-2009. By the 30 April 2009 deadline, around 1100 projects, programmes and funds had been approved.

9. The Ministers noted the state of the ongoing negotiations on the future financial contributions by the EEA EFTA States for the reduction of economic and social disparities in the EEA and underlined the importance of finalising these negotiations as soon as possible in order to allow for continuity of the programmes.
10. Furthermore, the Ministers noted that the European Commission has agreed with Iceland and Norway bilaterally that the quota levels for certain fish and fishery products shall be reviewed, as laid down in the respective Additional Protocols to their bilateral Agreements with the European Economic Community.
11. The EEA Council noted the ongoing process of implementing a customs security element in Protocol 10 of the EEA Agreement, whereby Norway will be integrated in the security system of the European Community.
12. The EEA Council noted the Progress Report of the EEA Joint Committee and in particular
  - welcomed the participation of the EEA EFTA States in EEA-relevant EU Programmes. The programmes promote common interests towards a more competitive and innovative Europe and play a significant role in Europe's economic recovery. The EEA Council especially highlighted the importance of the European Year of Creativity of Innovation 2009, emphasising creativity and innovation as fundamental pillars for sustainable economic growth. The programmes are co-financed by the EEA EFTA States;
  - noted that an agreement could not be found for EEA EFTA participation in the Institute for Gender Equality. The EEA Council reconfirmed the wish to continue the intensive cooperation between the EU and the EEA EFTA States in the field of gender equality;

- welcomed the good progress made in the trade negotiations between the European Community and Iceland in processed agricultural products within the framework of Protocol 3 to the EEA Agreement. It equally noted the continued negotiations between the European Community and Norway on further liberalisation of trade in agricultural products on the basis of Article 19 of the EEA Agreement and looked forward to a successful outcome. It further encouraged the European Community and Norway to engage constructively in a review within the framework of Article 2(2) of Protocol 3 to the EEA Agreement;
- noted the commitment of the EEA EFTA States to complete the necessary national procedures regarding the Food Law Package as soon as possible;
- welcomed the follow-up of the Integrated Maritime Policy and underlined the importance of the close involvement of the EEA EFTA States in further developments, such as the Communication from the Commission on Strategic goals and recommendations for the EU's maritime transport policy through 2018, and the Communication and action plan with a view to establishing a European maritime transport space without barriers;
- welcomed the active involvement of the EEA EFTA States in the relevant parts of the Single Market Review;
- reiterated its commitment to the renewed social agenda, covering a wide range of areas such as employment, health, migration, social affairs, education and equality. The EEA EFTA States will follow closely the proposed directives and policy initiatives, within the scope of the EEA Agreement. Underlined the importance of social innovation to meet social needs during the economic crisis.

13. The EEA Council welcomed the EEA EFTA contributions to the decision-shaping process of EEA-relevant EC legislation and programmes through inter alia their participation in relevant committees, expert groups and agencies and by submitting EEA EFTA Comments. In particular the EEA Council:
- took note of the request of the EEA EFTA States to find a swift solution to the recent problems regarding the access for EEA EFTA citizens to work in the Executive Agencies established by the European Commission;
  - welcomed the comprehensive comments from the EEA EFTA States on the draft Consumer Directive.
14. The EEA Council held an orientation debate on Financial Crisis: Towards a new regulatory regime.
15. The Ministers underlined the importance for the Contracting Parties to ascertain that relevant actors throughout the European Economic Area remain well informed about the EEA Agreement.
16. The EEA Council underlined the importance of inviting EEA EFTA Ministers to attend relevant informal EU Ministerial Meetings and 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 Swedish Presidency for the continuation of this practice.
17. The EEA Council noted the Resolutions of the EEA Joint Parliamentary Committee adopted at its 32nd meeting in Strasbourg on 26 March 2009 on *The Annual Report on the Functioning of the EEA Agreement in 2008*.
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