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DRAFT REPORT

on a European Parliament recommendation to the Council, the Commission and the Vice-President of the Commission / High Representative of the Union for Foreign Affairs and Security Policy on the association agreement between the EU and Andorra, Monaco and San Marino (2018/2246(INI))

Committee on Foreign Affairs

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to the Council, the Commission and the Vice-President of the Commission / High Representative of the Union for Foreign Affairs and Security Policy on the association agreement between the EU and Andorra, Monaco and San Marino (2018/2246(INI))

The European Parliament,

- having regard to Council Decision (EU) 2014/... of 22 December 2014 authorising the Commission to negotiate, on behalf of the Member States, the provisions of one or several Association Agreement(s) with the Principality of Andorra, the Principality of Monaco and the Republic of San Marino that fall within the competences of the Member States,
 - having regard to Article 218 of the Treaty on the Functioning of the European Union,
 - having regard to Article 8 of the Treaty on European Union and to the Declaration on Article 8 of the Treaty on European Union, which states that the Union will take into account the particular situation of small-sized countries which maintain specific relations of proximity with it,
 - having regard to the Commission communication of 20 November 2012 entitled ‘EU Relations with the Principality of Andorra, the Principality of Monaco and the Republic of San Marino: Options for Closer Integration with the EU’ (COM(2012)0680),
 - having regard to the Commission staff working paper of 20 November 2012 entitled ‘Obstacles to access by Andorra, Monaco and San Marino to the EU’s Internal Market and Cooperation in other Areas’ (SWD(2012)0388),
 - having regard to the Commission report of 18 November 2013 entitled ‘EU Relations with the Principality of Andorra, the Principality of Monaco and the Republic of San Marino: Options for their participation in the Internal Market’ (COM(2013)0793),
 - having regard to Rule 113 of its Rules of Procedure,
 - having regard to the report of the Committee on Foreign Affairs (A8-0000/2018),
- A. whereas the Principality of Andorra (Andorra), the Principality of Monaco (Monaco) and the Republic of San Marino (San Marino) are among the oldest European states; whereas they have always been at the core of European history and have deep, long-standing political, economic and cultural relations with the Member States in their immediate proximity and with the EU at large;
- B. whereas Andorra, Monaco and San Marino have demonstrated a strong political, economic and cultural European vocation and a strong desire to pursue closer political, economic and cultural relations with the European Union; whereas in the interests of Andorra, Monaco and San Marino, on the one hand, and the EU, on the other, it is important to respond positively to this vocation in a timely manner and to facilitate the creation of a new and functioning framework for closer relations at EU level at the

earliest convenience; whereas the Association Agreement under negotiation can provide such a framework;

- C. whereas it is also in the interests of the Member States that traditionally have close historical, political and economic ties with Andorra, Monaco and San Marino to facilitate an upgrade of the relations of these states with the European Union at large;
- D. whereas Andorra, Monaco and San Marino are, each in their own right, relevant economic partners for the Member States in their immediate proximity and provide employment opportunities for a considerable number of EU citizens; whereas a closer interface between Andorra, Monaco and San Marino and the EU would provide these states with an important opportunity for further economic development, with a positive economic spillover effect on the Member State regions in immediate proximity, including through additional employment opportunities;
- E. whereas it is important to recognise the small territorial dimensions and population size of Andorra, Monaco and San Marino and the relevant implications thereof in terms of socio-economic access and inclusion for the citizens of such states; whereas such access and inclusion are essential to preserving the culture, traditions and values specific to the three communities; whereas without such dedicated access and inclusion mechanisms, some citizens may struggle to find the means necessary to live in their country of origin; whereas it is therefore essential to preserve, including through adequate provisions in the Association Agreement, the political, socio-economic, cultural and identitarian fabric of Andorra, Monaco and San Marino;
- F. whereas Andorra, Monaco and San Marino have, each in their own right, pursued important reforms and regulatory convergence with the EU, with particular regard to the regulation of the banking and financial sector;
- G. whereas at its meeting of 4 December 2018, the Council decided to remove Andorra and San Marino from Annex II to the Council conclusions of 5 December 2017, thus confirming that they have complied with all remaining commitments related to transparency, fair taxation and anti-BEPS (base erosion and profit shifting) measures;
- H. whereas the Association Agreement will require Parliament's consent for it to enter into force;
- 1. Recommends the following to the Council, the Commission and the Vice-President of the Commission / High Representative of the Union for Foreign Affairs and Security Policy:
 - a) seize the opportunity presented by the negotiations on the Association Agreement to demonstrate the value of closer relations and integration with the EU – looking at public opinion both in Andorra, Monaco and San Marino and in the EU – and to further reaffirm the value of EU membership for such countries in the longer term;
 - b) prevent the risk of rejection of the Association Agreement once negotiations have been finalised, through renewed efforts to reach members of the public in Andorra, Monaco and San Marino who feel more vulnerable and to explain to them, in cooperation with the authorities of the three states, the scope and merits of the

Association Agreement, with a view to political unity and the broadest possible public support in each of the three states;

- c) adjust the required adoption and implementation of the *acquis communautaire* to the small territorial dimensions and limited administrative resources, in relative terms, of Andorra, Monaco and San Marino, so as to prevent the need for the three states to increase their bureaucracy substantially, which would in turn have negative implications on the available budgetary resources and public opinion;
- d) provide for adequate EU support to Andorra, Monaco and San Marino, as regards their capacity to fully adopt and implement the *acquis* on a longer-term basis, including through closer institutional cooperation with the Member States in the immediate proximity and the possibility of relying on existing administrative bodies in the Member States dedicated to the implementation of the *acquis*;
- e) foster increased capacity for adequate adoption and implementation of the *acquis* through the secondment of officials from the public administrations of Andorra, Monaco and San Marino to relevant EU institutions and bodies;
- f) consider, in the light of the need to reconcile the freedom of establishment envisaged under the Association Agreement and national provisions in Andorra, Monaco and San Marino seeking to preserve the socio-economic inclusion of their citizens, the possibility of temporary derogations adjusted to the specific socio-economic realities of each negotiating state and the timeframe required to ensure, in each state, a true level playing field and adequate competitive capacity for workers and companies;
- g) harness the opportunity of the Association Agreement to further cooperation with Andorra, Monaco and San Marino within the framework of Directive (EU) 2015/849 of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing¹;
- h) explore the possibility, in parallel with negotiations on the Association Agreement, of securing adequate access to liquidity for Andorra, Monaco and San Marino, with a view to fostering the resilience capacity and stability of their respective national banking and insurance systems in the case of an internal or external systemic shock;
- i) advance negotiations on the Association Agreement with Andorra, Monaco and San Marino as a matter of priority and provide the negotiating parties with all necessary institutional and policy-specific support in a timely fashion so that negotiations can be completed in the next two years;
- j) conclude before the end of the current mandate a joint political agreement with Andorra, Monaco and San Marino in order to take stock of and preserve the agreement reached in the negotiations thus far, so that the new European Commission and the European External Action Service can take stock of and build on this common

¹ OJ L 141, 5.6.2015, p. 73.

understanding and advance negotiations further;

2. Takes the view that the next legislature of the European Parliament could serve as a valuable opportunity to set up a new interparliamentary delegation devoted to interparliamentary dialogue and cooperation with Andorra, Monaco and San Marino; believes, furthermore, that Parliament could pursue close cooperation between its services and the relevant services of the Parliaments of Andorra, Monaco and San Marino and regularly host young political, business and civil society leaders from these three countries in order to reinforce the positive narrative of a closer political, economic and policy interface with the EU within the framework of negotiations on the Association Agreement;
3. Instructs its President to forward this recommendation to the Council, the Commission, the Vice-President of the Commission / High Representative of the Union for Foreign Affairs and Security Policy, the Co-Princes, Government and General Council of Andorra, the Prince, Minister of State and National Council of Monaco, and the Captains Regent, Congress of State, and Grand and General Council of San Marino.