



TEXTS ADOPTED

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Association Agreement between the EU and Monaco, Andorra and San Marino

European Parliament recommendation of 13 March 2019 to the Council, to the Commission and to 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 Monaco, Andorra 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 the Council conclusions of 11 December 2018 on a homogeneous extended internal market and EU relations with non-EU Western European countries,
- having regard to Rule 113 of its Rules of Procedure,

- having regard to the report of the Committee on Foreign Affairs (A8-0074/2019),
- A. whereas the Principality of Andorra (Andorra), the Principality of Monaco (Monaco) and the Republic of San Marino (San Marino) have a long-standing history of statehood; whereas they have always been at the core of European history and have deep, long-standing political, economic, social and cultural relations with the Member States in their immediate proximity and with the EU at large; whereas the EU's partnership with these countries is founded on our common set of political and cultural values;
- 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 rapid conclusion of negotiations on the new association agreement, which will form the new framework for relations between the EU and these countries;
- 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 foster the deepening and specification of the relations of these states with the European Union at large; whereas it is therefore essential that the special bilateral relationship that these Member States already enjoy with Andorra, Monaco and San Marino is taken into account, in particular for the purposes of legal certainty;
- D. whereas Andorra, Monaco and San Marino have a long-standing practice of supporting the European Union's policy stance in the United Nations;
- E. 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 all parties 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 and the enhancement of international professional skills;
- F. whereas when conducting the negotiations on the association agreement, it is important to take full account of the specificities of Andorra, Monaco and San Marino as small-sized states, in line with Declaration 3 on Article 8 of the Treaty on European Union; whereas it is therefore important to recognise the small territorial dimensions and number of inhabitants of Andorra, Monaco and San Marino and the relevant implications thereof in terms of preserving adequate 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 and adapt them to the realities of European Union integration;

- G. whereas Andorra, Monaco and San Marino each have long-standing bilateral agreements with their respective neighbouring countries, which address issues of mutual concern, take into account the specificities and sensitivities of the three countries and reflect the need to preserve the viability of such states; whereas such specificities and sensitivities have been acknowledged by the Parliamentary Assembly of the Council of Europe;
- H. 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;
- I. 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; whereas Monaco was never included in this annex and the Council noted as far back as 5 December 2017 that Monaco was fully compliant with these commitments; whereas at its meetings of April and July 2018, the OECD's Global Forum on Transparency and Exchange of Information for Tax Purposes declared Andorra, Monaco and San Marino to be compliant with the international standard on the exchange of information on request;
- J. whereas Andorra's important reforms and progressive alignment with EU legislation as regards financial regulation should be commended; whereas the EU and Andorra have reached a valuable agreement on tobacco and whereas Andorra will now be able to further intensify its move towards a more diversified economy; whereas this long-term process will present relevant challenges, and adequate protection will therefore be required for workers in Andorra as it shifts towards a more diversified economy; whereas broader access to the internal market will support economic development in the long term and will create new economic and employment opportunities in Andorra;
- K. whereas San Marino is currently experiencing difficulties in exporting to Member States other than Italy as a result of the additional VAT documentation required (T2); whereas the association agreement should provide the opportunity of a level playing field across the EU, which would be very valuable to San Marino exporters; whereas the association agreement should give Andorran and San Marino banks full access to the EU passporting system for banks and financial services companies;
- L. whereas citizens of Monaco are a minority in their own country and the housing and employment markets are such that active support to citizens of Monaco is essential to preserve their capacity to continue to reside in the country; whereas the provisions on facilitated access to employment apply equally to citizens of Monaco and residents of the towns in Monaco's immediate surroundings; whereas 92 % of workers in Monaco are EU citizens;
- M. whereas the association agreement with the EU opens up the possibility of developing cooperation in areas of shared interest and participating in some of the EU's horizontal policies on issues such as research, the environment and education (Erasmus+);
- N. whereas the association agreement will require Parliament's consent for it to enter into force;

1. Recommends that 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 importance of inclusion in EU bodies and policies for such countries in the longer term;
 - (b) prevent the risk of rejection of the association agreement once negotiations have been finalised, and engage in renewed efforts to provide those members of the public in Andorra, Monaco and San Marino who feel more vulnerable with information about the association agreement and to explain to them, in total transparency and in cooperation with the authorities of the three states, the scope, merits and possible shortcomings of the agreement, with a view to political unity and the broadest possible public support in each of the three states; encourage Andorra, Monaco and San Marino to do the same, and support them in such an endeavour;
 - (c) take full account of the small territorial dimensions and limited administrative resources, in relative terms, of Andorra, Monaco and San Marino and, in the negotiation process, adjust the required adoption and implementation of the *acquis communautaire* accordingly, so as to minimise excessive budgetary pressure, which would in turn have negative implications on public opinion and the budgetary resources available; provide assistance, where needed, to Andorra, Monaco and San Marino in providing for the necessary administrative capacity to ensure swift, dynamic and uniform transposition of the *acquis communautaire*;
 - (d) call for the creation, in each of the three states, of a coherent, efficient and effective institutional framework through which to implement the association agreement, in order to ensure the dynamic transposition of the *acquis communautaire* by the three countries and the uniform application and consistent interpretation of the provisions of the agreement, which must include a forum for consultation and a dispute resolution mechanism;
 - (e) emphasise to Andorra, Monaco and San Marino the importance of the overall integrity and homogeneity of the internal market and of respect for the fundamental aspects of all four freedoms of the internal market; recall the merits and economic benefits of full access, including for products and services, to the internal market and the need to preserve within it a level playing field and strong, resilient and effective institutional foundations to the benefit of all;
 - (f) provide for adequate EU support to Andorra, Monaco and San Marino, as regards their capacity to fully adopt and implement the *acquis communautaire* on a longer-term basis, including through closer institutional cooperation with the Member States in the immediate proximity; provide for access to EU funding for targeted projects and for the possibility of relying on existing administrative bodies in the Member States dedicated to the implementation of the *acquis communautaire*;

- (g) foster increased capacity for adequate adoption and implementation of the *acquis communautaire* through the secondment of officials from the public administrations of Andorra, Monaco and San Marino to relevant EU institutions and bodies and those of its Member States;
- (h) 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, premised on an assessment of the real needs of the three states, subject to review clauses, anchored to specific socio-economic criteria for each negotiating state and adjusted to the timeframe required to ensure, in each state and through a gradual approach, a true level playing field and adequate competitive capacity for workers and companies; take note of the fact that the very small size of these countries is such that the impact of negotiated temporary derogations on the *acquis communautaire* would be negligible;
- (i) 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;
- (j) adjust the requirements related to the provision of statistical data under the association agreement to the size of Andorra, Monaco and San Marino;
- (k) explore the possibility and feasibility, in parallel with negotiations on the association agreement, of securing access to Eurosystem liquidity for Andorra and San Marino, with a view to fostering the resilience capacity and stability of their respective national banking systems in the case of an internal or external systemic shock, while ensuring proper oversight by the European Central Bank; encourage Andorra and Monaco to become members of the International Monetary Fund and provide them, if needed, with technical assistance to this effect; encourage Andorra, Monaco and San Marino to continue their good efforts vis-à-vis convergence with the EU as regards financial regulation, tax governance and the fight against money laundering;
- (l) advance negotiations on the association agreement with Andorra, Monaco and San Marino and provide the negotiating parties with all necessary institutional and policy-specific support in a timely fashion, including assessments and expertise from the Commission's competent Directorates-General, so that negotiations can be completed as soon as possible and, in any case, within the next two years;
- (m) conclude before the end of the current mandate a joint political declaration with Andorra, Monaco and San Marino on the framework of the association agreement, in order to take stock of and preserve the progress achieved in the negotiations thus far, so that the new Commission and the European External Action Service can take stock of and build on this common understanding and advance negotiations further;

¹ OJ L 141, 5.6.2015, p. 73.

- (n) consider the negotiations on the association agreement an opportunity to take measures for joint investments in infrastructure of common interest, as well as measures aiming to boost joint academic research among Andorra, Monaco, San Marino and the EU Member States;
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 should 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; takes the view that Parliament should foster periodic exchanges of views with the national parliamentary delegations of Andorra, Monaco and San Marino for the duration of the negotiations; believes that exchanges of views between the European Parliament and the national parliamentary delegations of Andorra, Monaco and San Marino should also be held on matters handled by Parliament that could have a direct effect on the economy of these countries, their relationship with the EU, or the effectiveness of 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.