

EEE 1602/1/21
REV 1

MINUTES

Subject: Minutes of the informal video conference of the members of the EEA
Council on 28 May 2021

Minutes of the informal meeting of the members of the EEA Council

(video conference, 28 May 2021)

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The informal meeting of the members of the EEA Council was held on 28 May 2021 by videoconferencing.

The meeting was chaired by Mr Augusto SANTOS SILVA, Minister for Foreign Affairs of Portugal, who led the EU delegation. Minister SANTOS SILVA was accompanied by Ms Angelina EICHHORST, Managing Director for Western Europe, Western Balkans, Turkey and United Kingdom, representing the European External Action Service (EEAS), and Ms Maive RUTE, Deputy Director-General, DG GROW, representing the European Commission.

The EEA EFTA side was led by Mr Guðlaugur ÞÓR ÞÓRÐARSON, Minister for Foreign Affairs and International Development Cooperation of Iceland, accompanied by Ms Dominique HASLER, Minister for Foreign Affairs of Liechtenstein, and Ms Ine Eriksen SØREIDE, Minister for Foreign Affairs of Norway

1. OPENING REMARKS and ADOPTION OF THE AGENDA

Opening statement of Minister Augusto SANTOS SILVA on behalf of the European Union

Dear colleagues from Iceland, Liechtenstein and Norway,

A warm welcome to our video conference of the members of the EEA Council, the third since the outbreak of COVID-19. I hope to be able to see you in person soon.

Before we start our meeting, I would like to thank all of you, your teams at home and in your respective missions in Brussels, and the EFTA Secretariat for the excellent cooperation with a view to finalising the arrangements for this meeting.

Let us now move to the agenda of the meeting. I would like to propose that we adopt the agenda and take note of items 4¹ and 5² without discussion.

I hope this is acceptable to all.

I am looking forward to our discussions!

¹ Progress report by the EEA Joint Committee adopted on 23 April 2021.

² Resolution of the EEA Joint Parliamentary Committee adopted on 28 April 2021, on the Annual Report of the EEA Joint Committee on the Functioning of the EEA Agreement in 2020.

Intervention of Minister Guðlaugur ÞÓR ÞÓRDARSON on behalf of the EEA EFTA side

Good morning from Reykjavik.

I can confirm on behalf of the EEA EFTA States that the agenda can be adopted and that items 4 and 5 can be taken note of without discussion.

I look forward to a fruitful meeting.

Intervention of Minister Augusto SANTOS SILVA on behalf of the European Union

Thank you very much. With this, we can now move to the orientation debate on *Strategic Autonomy*.

2. ORIENTATION DEBATE: STRATEGIC AUTONOMY

Intervention of Minister Augusto SANTOS SILVA on behalf of the European Union

Dear colleagues,

While the EU economy benefits from world markets being open and from its integration in global value chains, the pandemic led to disruptions in value chains for certain essential products and inputs which are critical for the EU society and economy. The experience of the last 12 months has shown that this is particularly relevant as regards the access to raw materials and technologies that are necessary for the health, green and digital transitions.

For a long time, the concept of strategic autonomy was linked to European security and defence. However, the COVID-19 pandemic and other recent geo-economic and geopolitical developments have placed a broader debate on the table, revealing the risks of asymmetric dependencies in strategic sectors. These global events, including the current crisis, mark a turning point in the debate on the need for the EU and its Member States to have the capacity to take and implement autonomous decisions, preferably in coordination with its global partners, but without being compromised by one-sided dependencies.

More than ever, it is necessary to reach a consensus on how to strengthen Europe's open strategic autonomy in order to make Europe a global player that is resilient and in charge of its own future. Strategic autonomy does not mean isolation or retreat, but advancing towards operational sovereignty, thus: the capacity to promote an agenda of its own.

Discussions on strategic autonomy in economic and industrial policy terms are gaining speed. The idea behind is nevertheless not new: building a more autonomous EU, that is in a better position to project its interests, principles and values on the global stage. Strategic autonomy is seen as an enabler of Europe's shaping power on global markets, of Europe's ability to set its objectives, make decisions and mobilise resources in ways that do not primarily depend on the decisions and assets of others.

More political discussions are needed in order to evaluate and make more concrete objectives related to various cases of (open) strategic autonomy as a suitable way forward towards strengthening the EU's economic resilience and its potential for economic growth. At this stage it is difficult to estimate where the economic limits are and what would be the consequences of inaction.

The COVID-19 crisis has shown Europe's vulnerability to global challenges and disorder resulting from increased competition of political and economic models. It has made evident that the challenge of autonomy is not only related to digital and technology aspects, but that other areas are equally relevant.

Progressing towards strategic autonomy requires an approach that encompasses political, economic and technological dimensions. This includes increased investments in research, innovation and education which are fundamental for ensuring, for example, the EU's technological sovereignty. Efforts in research, innovation and education, however, need to be assisted by other policy fields, such as trade policy, product standards, environmental policy, international taxation rules etc.

With that, I would like to pass the floor first to Deputy Director-General RUTE for her intervention on the subject, and then to Managing Director EICHHORST for any considerations she may wish to add in relation to the external dimension of the Strategic Autonomy.

Intervention of Deputy Director-General Maive RUTE on behalf of the European Commission

Dear Ministers,

Ladies and Gentlemen,

I am happy that we have the opportunity today to debate the topic of Open Strategic Autonomy. Indeed pronunciation of these words does matter. As it is a multi-faceted concept, I will try to pronounce it in a neutral way to address the various ideas behind adequately.

The concept of Open Strategic Autonomy reflects the EU's desire to chart its own course on the global stage, shaping the world around us through leadership and engagement while preserving our interests and values. In essence, the EU will continue to work with partners to advance this positive agenda, but will work autonomously when it must.

While this concept shapes our relations with the world, it goes hand in hand, like two sides of a coin, with a strong, open and competitive Single Market, on which Europe relies for its prosperity and resilience. I will therefore focus my presentation on how identifying dependencies in the Single Market, and how addressing them, helps ensuring our prosperity, while improving our Open Strategic Autonomy.

Ladies and Gentlemen,

The outbreak of the COVID-19 pandemic has been a huge shock to our societies and economy. But we also witnessed the resilience and adaptability of Europe's people and industry.

One of the key lessons of the COVID-19 crisis is that there is a need to get a better grip and understanding of where Europe's current and possible future strategic dependencies lie. I am convinced that these challenges and priorities are as relevant for EEA countries as it is for EU Member States.

Three weeks ago, we adopted an update of our Industrial Strategy.

While the main principles and actions of the 2020 strategy remain fully valid, the updated Strategy builds on the lessons learnt from the COVID-19 crisis. It consists of 3 main pillars of action:

First, *strengthening the Single Market* both during crisis times as well as on a structural basis (such as reducing barriers in services). We will discuss the impact of COVID19 on the Single Market in a bit more detail under the next agenda item. I know that we have strong support from EEA countries for a strong Single Market.

Second, *supporting businesses in speeding up their transitions* towards more green and digital; and

Third, *dealing with dependencies and improving the EU's open strategic autonomy* – the topic of our debate.

This slide provides a few elements that explain the background for our analysis of our strategic dependencies.

As I said in the beginning, the COVID-19 crisis has emphasized the need to strengthen the EU's open strategic autonomy. The disruptions along the supply chain of the health ecosystem were particularly challenging. But Europe faces also other specific dependencies, such as the recent semiconductors shortage in the automotive industry.

In addition, our ambitions on the green and digital transitions will require us to access certain inputs (particularly raw materials) and technologies (such as semiconductors, cloud) for which we are currently highly dependent on suppliers from outside Europe.

Also, the pandemic accelerated the awareness of the issue and pushed other countries such as the United States or China to review their positions in global value chains and to aim to reduce their technological dependencies.

Finally, our analysis provides a first step to better understand strategic dependencies as well as relevant measures to address them.

What are the findings of our analysis? Out of 5,200 imported products, there are 137 for which the EU is highly dependent. This represents 6% of the total value of imported goods. As you can see, most come from China, followed by Vietnam.

Of course not all of them are strategic. But we identified products across different sensitive ecosystems:

1. energy-intensive industries, such as (critical) raw materials and chemicals;
2. health ecosystem, with COVID-19 related products, but also some Active Pharmaceutical Ingredients (quite numerous);
3. and products particularly relevant for the green and digital transition: different raw materials but also electric motors, mobile phones or laptops.

Ladies and Gentlemen,

Strengthening Europe's capacity to develop and take up technologies that are key for our industrial future is important to enhance future competitiveness and avoid possible (future) strategic dependencies.

European industry is competitive in areas such as advanced manufacturing or hydrogen, but efforts are needed to maintain and further build Europe's strong position.

As an example, the European Clean Hydrogen Alliance, founded last July, will support the development of a globally competitive clean hydrogen sector in Europe and will play a key role in Europe's transition to a carbon-neutral economy. Several Norwegian members in the alliance are playing a very active role.

Particular technologies where Europe's competitive position appears to be weaker compared to its global commercial competitors include cloud and micro-electronics.

We have tools at our disposal to build strategic capacities, that have shown that they work. For example, in the area of batteries, the EU is moving from a very dependent position (less than 1% of batteries were produced in Europe two years ago) to a much stronger one with the support of the work by the European Batteries Alliance. In the latter, I am glad to see that innovative Norwegian companies have a fair share in the Alliance. And Norway is also partnering in the Raw Materials Alliance via the Innovation Hub North.

This leads us to the question what types of policy measures are relevant to address the identified strategic dependencies and develop strategic capacity.

In general, measures taken should be targeted and proportionate to ecosystems' needs, allowing us to address dependencies in the most cost-efficient way possible.

In fact, there is an entire policy toolbox at our to support industry's efforts:

We need to ensure a better monitoring of our dependencies to increase resilience and preparedness.

Second, whenever possible, we will work towards diversifying international supply chains and pursue international partnerships to increase preparedness and reduce dependencies.

While the EU faces certain dependencies, other countries also depend on the EU ("*reverse dependencies*"). In addition, we share foreign dependencies with our partners ("*common dependencies*"). These provide opportunities for building up cooperation with likeminded partners to find mutually beneficial solutions. In that respect I am glad that within the EEA we have an excellent cooperation between like-minded and trusted partners for already over 25 years.

Third, and finally, the EU should strengthen its capacity in strategic areas:

- I already mentioned the Industrial Alliances that can accelerate activities that otherwise would not develop or attract enough investment
- Important Projects of Common European Interest allow EU Member States and EEA countries to pool resources where the market alone cannot deliver breakthrough innovation
- And we will present a strategy on standardization that will support a more assertive stance on European interests in this area. Rest assured that as partners in the single market, you will be fully integrated in those discussions.

Ladies and gentlemen,

To conclude, Europe has always been open to the world. Some say even that this is in our DNA. But time has come to become more autonomous, and more affirmative on our values and principles. This does not mean that we should become protectionist. It means that we want to give ourselves the means to make our own choices. To be pragmatic, rather than naïve. To accept other's rules as long as they also respect ours. We have to address today's dependencies in an efficient and targeted manner. Together with our like-minded partners, such as those around this table, we will strengthen the resilience of European supply chains.

And we also need to prevent the strategic dependencies of tomorrow, especially for inputs and advanced technologies that will be vital to the green and digital transitions.

Thank you.

Intervention of Managing Director Angelina EICHHORST on behalf of the EEAS

I would like to share with you a few concerns that have been raised by the EEAS for some years now and more recently by Member States themselves (see on-going debate CCs on TPR, CAG on Foresight on Strategic Autonomy).

We need a more integrated/holistic approach – not just focused on economics or sector policy - taking into account a broader geopolitical perspective, in particular by examining our short and longer term strategic options vis a vis China, the US or Russia. Security and economy dimensions are closely linked and this needs to be taken into account when defining the term “open strategic autonomy”, still an open debate.

Values and democracy need to be better reflected as they are part of Europe's identity and under stress in many other parts of the world. Democracy is key to strengthening the social contract and build consensus at home. This is exactly what the US is doing by seeking to build a home consensus (eg Foreign policy for the middle-class as the basis for the conduct of its national security and Foreign policy). This is an important point from the perspective of the political signal sent in the context of the conference on the future of Europe. It is also an important point from the perspective of EEA cooperation, given our common values and interests.

One additional aspect of Strategic Autonomy that could be further underlined is the importance of strengthening global alliances and partnerships with like-minded partners on key issues such as global governance (in particular defending common norms and standards), climate change, security, reduction of dependence on certain suppliers of raw materials; Those alliances cross over the globe from Eastern Partnership to Indo-Pacific, from the Atlantic side to Southern Mediterranean and Africa. The EEA Council should serve as a key framework for coordination and cooperation to exchange views on how to reinforce these global alliances and partnerships.

Let me say also a word on the complex relation between multilateralism and Strategic Autonomy, a balancing act that is not always well understood. They are in fact the two faces of the same coin: “acting collectively each time we can and autonomous each time we must”. However, a more effective multilateralism will require not only to adjust the structure of a number of organizations (e.g. WTO) but also to open up these institutions to the new digital and technological challenges ahead.

Finally, the first contacts with the new US administration look promising (Iran, climate, health). The EU-US agenda is a 360 degrees one as it touches upon all critical domains: global health, trade and technology, security. Altogether, with the US and all our partners, we will shape a much-needed social and economic recovery. Our wish is to make Europe a partner of choice. We should be principled but not dogmatic. Open but not weak. Progressive but not naïve. Only a comprehensive and integrated approach between economics and politics, between the internal and external dimension of strategy autonomy, between the EU and our partners, among which the EEA figures high, will allow us to be a stronger and a more responsible international actor.

Intervention of Minister Guðlaugur ÞÓR ÞÓRÐARSON on behalf of Iceland

Strategic autonomy is not just about defence and security. It concerns economic and trade policy too. We need to make sure we can maintain the necessary room for manoeuvre to take care of the needs of our populations on our own terms – this means we have to attend to economic, trade and security strategy. We welcome the addition by the EU of the word “open” to its approach to strategic autonomy. The EU’s strategic autonomy should in general be open and avoid excluding close partners.

Trade has driven a massive increase in prosperity worldwide. But now we see growing challenges to well established norms and the international rule-based system. The WTO is struggling to regain its standing as the guardian and driver of the rules-based trading system.

At the same time, we see dramatic shifts in economic and trading power from the western industrialised world to Asia. By 2030 China will have more than 25% of the world's GDP while Europe will have less than 15%. This shift is already being reflected in new multilateral trade agreements like the Trans-Pacific Partnership and RCEP (Regional Comprehensive Economic Partnership) in the region which may set the agenda for coming decades. All this is happening against the backdrop of climate change.

Into this already turbulent mix was injected the COVID pandemic. Governments have been dealing with life and death threats to their citizens on a scale unprecedented outside a war. Civil order has been severely disrupted in many countries and democratic societies have been put under significant strain.

Competition for access to the services and goods to address this emergency has highlighted how dependent we all are on each other. Good, reliable production and value chains suddenly became a matter of life and death.

The strategic issue of who controls production and value chains is not new. It has been long discussed in hard security circles. But COVID has certainly put the spotlight on it.

In addition, the health emergency has sparked a major economic crisis.

The reaction has in some quarters been a call to protect home markets by putting up barriers. Make everything we really need at home – trade as little as possible in these goods. Make a fortress. Such an approach will not work even for big economies in the modern world.

It is obvious that stemming the pandemic, preventing further pandemics, bringing about economic recovery and addressing climate change will all need more international cooperation, not less.

We note that the EU's trade policy supports the EU's open strategic autonomy. The Commission underlines that open strategic autonomy will strengthen the EU's ability to make its own choices and shape the world around it through leadership and engagement. We also note that the EU is a strong proponent of values that Iceland supports as well as of the rules-based trading system.

It can be said that Iceland has also pursued its own policy of strategic autonomy. For a small economy like Iceland protecting our autonomy – our room for making our own decisions on our own terms – is never an absolute science. Our autonomy is best protected by the international rule-based system and by alliances with countries we share values with. And it is important that countries and organisations we ally with are themselves resilient and in a position to cope with threats and challenges. For this reason, we welcome the EU's thinking on open strategic autonomy.

We build our strategic autonomy on membership of organisations and alliances with which we share values and interests. In the defence and security area we are in NATO and have a bilateral defence treaty with the US. We have been members of EFTA for 50 years. The EEA Agreement is a central plank of our trading and foreign policy.

We share close interests and values with the European Union. Operating on the internal market as we have for over 25 years gives us the security of working in a transparent, predictable, rules-based environment. It also gives us the security of knowing that we will have access to essential supplies in times of emergency. We have appreciated very much our participation in the EU's vaccine distribution. But it was exactly because the EEA Agreement is so central to our own strategic autonomy that we strongly opposed Regulation 2021/521 which for a while implied we were not full participants in the internal market. We are very relieved that this error has been corrected and our place in the internal market confirmed. The EU's strategic autonomy should in general be open and at the very least it should never exclude the EEA EFTA States as participants in the internal market.

Our approach to our strategic autonomy has adopted different configurations. Take for example, control of our fisheries and agriculture. It would be unwise to let go of our autonomy in these fields. There are issues which occasionally come up in relation to the internal market, where we need to retain our autonomy. A key example is deposit guarantee directive III. We will never be able to accept state liability for a scheme which would risk bankrupting the state.

We also retain autonomy in our ability to negotiate free trade agreements with other countries. We have used this both through our membership of EFTA and bilaterally.

Strategic autonomy will always be relative – it is about protecting fundamental interests, maximising opportunities, and offsetting risk. For a small economy like Iceland, strategic autonomy can never mean isolationism. It means taking a realistic view of the world, our competitors and allies in the geopolitical situation of the day.

Strategic autonomy requires a clear-eyed view of how we safeguard our ability to take key decisions on our own terms. It means being able to trade freely according to predictable, transparent rules. For small countries, strategic autonomy is best ensured through close rule-based cooperation with countries that share our values.

Intervention of Minister Dominique HASLER on behalf of Liechtenstein

Dear colleagues,

I would like to thank you all for the excellent debate so far.

It is timely to discuss strategic autonomy in the EEA Council. The concept is just as relevant for the EU as it is for Liechtenstein. In fact, notions of autonomy, crisis resilience and international cooperation are particularly important for a small country.

The Covid-19 pandemic has been the main trigger for this discussion. Global supply chains have been disrupted. States embarked on a race for access to medical products and vaccines.

Another trigger has been the erosion of values. Rule of law, human rights and democracy are under pressure in many parts of the world. How can we rely on economic partners with whom we disagree on most fundamental questions?

In such circumstances, a renewed focus on resilience comes naturally. We noted with interest the Commission's updated industrial strategy, as well as the proposal to counter unfair foreign subsidies in the Single Market.

We agree with those who emphasize the word “open” when discussing strategic autonomy. As the Commission itself noted: “Openness to trade and investment is a strength and a source of growth and resilience.”

Liechtenstein’s economy is deeply embedded in the Single Market. But we also have very close ties to Switzerland and to global markets, especially Asia and the Americas.

An open and rules-based global trade system is thus essential.

From our perspective, the best way of reducing reliance on supplies from *abroad* is by creating better conditions for production *at home*.

More can be done to strengthen the Single Market, including by facilitating financing, promoting innovation and reducing the regulatory burden. Levelling the playing field and addressing distortions within the Single Market remains important.

Most importantly though, we suggest to place greater emphasis on one crucial element: longstanding, reliable, close partnerships.

Strategic autonomy is enhanced by embracing those who share the same interests and values.

We are such partners.

An essential product manufactured in an EEA EFTA State is just as beneficial for Europe’s crisis resilience as the same product manufactured in the EU.

In other words: Our integration in the Single Market is not a one-way street. It benefits economic operators and supply chains in the entire EEA. It is therefore also a contribution to the EU’s strategic autonomy.

I would like to encourage you to think of it as such, as you continue these important discussions. Thank you.

Intervention of Minister Ine Eriksen SØREIDE on behalf of Norway

I am pleased to have this opportunity to address our integration, cooperation and shared ambitions through the lens of *open strategic autonomy for Europe*.

A key feature of this debate is how to reconcile the need for increased and sustainable European competitiveness and greater European resilience, on the one hand, with the need for revitalised multilateralism and international cooperation on the other.

Norway supports the EU's ambition to become better equipped to meet new challenges and geopolitical realities, facilitate ongoing transitions, and resolve future crises.

A strong European voice on the international stage is necessary to promote common European values and standards. If used cautiously and realistically, the greater ability to act autonomously when necessary could enhance Europe's global footprint and influence.

The internal market and the EEA are a success story in terms of creating a strong market and production base, and establishing a level playing field *in Europe*. More needs to be done to promote a level playing field *globally*. The EU plays an invaluable role as standard-setter in this regard.

The EEA in and of itself is a key and integrated instrument for achieving open strategic autonomy. The integrity of the internal market translates into European leverage in the global arena. It is therefore crucial that the EU approach is inclusive, and involves EEA EFTA partners in relevant measures and cooperation efforts.

The EEA EFTA states have contributed to a well-functioning and robust internal market for more than 25 years. We are an integral part of strategic, reliable and long-term European value chains. The main purpose of the EEA is to foster closer economic integration. This also promotes a more resilient Europe that benefits us all.

As partners in the internal market, it is important to us to ensure that greater emphasis on strategic autonomy does not lead to dividing lines and regulatory friction within the EEA.

An integrated approach without barriers to trade for participants in the internal market will also facilitate European strategic autonomy in the battery sector. We regret that the EU and the UK have agreed to establish new barriers to European trade in their Trade and Cooperation Agreement, notably on batteries in electric vehicles. Norway's production should be considered part of the common European commitment to green batteries. Norwegian producers can provide a valuable contribution to the green transition.

We must also avoid new barriers to international trade. We are therefore pleased that the EU views the preservation and revitalisation of the multilateral trading system and the WTO as fundamental for achieving greater European strategic autonomy.

We will actively support the development and maintenance of strong multilateral institutions and rules to ensure a level global playing field.

We will also support a common European approach to regulation, with an emphasis on high environmental, health and social standards, as well as the protection of individual rights in the digital economy. Preserving this European regulatory approach when faced with global actors that do not adhere to the same values and principles will be an essential part of promoting European autonomy.

As part of the EEA, we contribute to the forward-looking effort to create a stronger, more knowledge-based European economy through participation in Horizon Europe, the European Defence Fund, PESCO and space cooperation, among other things.

We agree on and provide input to many of the specific policies needed to promote a stronger and more resilient Europe on the world stage, such as the green and digital transitions. Our foreign and security policies are also closely aligned.

We welcome the ambitions of the European Union to expand its capacity to tackle health threats. Cooperation with the EU has been crucial in responding to the pandemic. We fully support closer cooperation on health preparedness, as set out in the plans for a European health union.

The EEA EFTA states make Team Europe stronger. Norway, for example, has a strong and relevant industrial base that includes the energy, process, mineral, and ocean industries. We are well placed to help achieve the objectives of open strategic autonomy.

Our intention is to take part in relevant industrial alliances, private-public partnerships, important projects of common European interest, and strategic international partnerships.

We should also step up efforts to ensure sustainability, as the acceleration of the green and digital transitions will lead to a rapidly growing demand for strategic raw materials and minerals.

To summarise, we must make sure there is fair competition, both within our common regulatory space in Europe, as well as vis-à-vis the rest of the world.

Norway stands ready to do its part to make Europe more independent and assertive on the world stage, based on our common values, a common regulatory framework and common ambitions

Intervention of Minister Augusto SANTOS SILVA on behalf of the European Union

Thank you, all of you, for your interesting contributions!

This brings us to the end of our orientation debate.

3. OVERALL FUNCTIONING OF THE EEA AGREEMENT AND THE EFFECT OF COVID-19 ON THE INTERNAL MARKET

Intervention of Minister Augusto SANTOS SILVA on behalf of the European Union

Let us move on to our exchange concerning the overall functioning of the EEA Agreement and the effect of the COVID-19 crisis on the Internal Market.

Managing Director EICHORST will give you a detailed report on the day-to-day developments with regard to the EEA Agreement and on the concrete progress achieved since last year.

Before giving her the floor I would like to highlight some important events that have taken place over the previous six months, and also add some considerations concerning the effect of the COVID-19 on the Internal Market.

The EEA continues to be the cornerstone of our strong cooperation, bringing us together as equal partners in the Internal Market. It sets out equal rights and obligations, but also a common objective to address economic and social disparities between our regions, with a view to promoting a continuous and balanced strengthening of trade and economic.

Last week, the EU adopted a negotiating mandate on the renewal of the EEA Financial Mechanism. As you know, the current Mechanisms, which were highly useful and much appreciated, expired at the end of April, and negotiations on their renewal will need to start swiftly, in order to ensure that the new Mechanism is in place as soon as possible, in particular taking into account the timeline of the next seven-year-period for the EU cohesion policy instruments.

As foreseen in the current EEA Financial Mechanisms, we have reviewed the economic and social situation in the EEA. Our conclusion is that there is still an important need to reduce disparities in the area. The pandemic has deepened inequalities, increased demographic imbalances and poverty, and had a disproportionate impact on certain sectors. Since 2008 regional disparities in the EU stopped decreasing and remained more or less stable. A number of middle income regions were severely affected by the crisis and diverged away from our average. Unemployment, in particular of young people, continues to remain a serious challenge.

These findings of the EU are currently being discussed by the EEA Joint Committee, and we are confident that the EEA EFTA side will share our assessment. Once the review has been completed, we should start negotiations on the renewal of the Financial Mechanism without further delay, and we invite you to take the necessary steps to allow for this.

Furthermore, I would like to welcome efforts made in the past six months by all sides to reduce the backlog of EEA relevant EU *acquis* to be incorporated into the EEA Agreement and to accelerate the incorporation process.

Regarding bilateral issues, I need to reiterate the particular importance the EU and its Member States attaches to further liberalisation of trade in processed agricultural products with Iceland and Norway as foreseen in the EEA Agreement.

With this, I will now move to the second part of my intervention under this item, which concerns the functioning of the Internal Market in the context of the COVID-19 crisis.

The COVID-19 crisis has shown us the strengths of the Internal Market but also its fragility. We need to restore it and, furthermore, to strengthen it, as only a well-functioning Internal Market brings competitiveness and growth.

Over the winter, we saw the continuation of the COVID-19 pandemic and much too often unilateral measures were put in place by some Member States to stop the spread of the virus. These restrictions caused major disruptions to the free flow of goods, services and people in the Union.

The mobility of workers was hampered, as well as the free movement of services. This was particularly felt in the tourism sector, which was the hardest hit ecosystem during the pandemic.

Discussions on the epidemiological situation and on how it affects almost all sectors of the European economy have been taking place at different levels in the Council, in meetings of ministers in different areas of responsibility, as well as at the level of the European Council. In February and in March, the members of the European Council stressed that the unhindered flow of goods and services within the Internal Market must be ensured, including by making use of the Green Lanes. On 20 May, the Council and the European Parliament found an agreement on an EU Digital COVID Certificate to facilitate the safe free movement of citizens within the EU during the COVID-19 pandemic. And just a couple of days ago, on Tuesday, the leaders welcome the agreement on a digital green certificate. The Regulation will enter into force on 1 July, with a phasing-in period of six weeks for the issuance of certificates for those Member States that need additional time.

The Portuguese Presidency welcomes the Commission's Communication on the updated Industrial Strategy which was published on 5 May. As part of this Communication, the Commission also published the first Annual Single Market Report which analyses the progress made in knocking down the barriers to the Internal Market, identified in March 2020, but also the lessons learned from the COVID-19 pandemic.

It is also important to intensify efforts to reduce dependencies on critical raw materials and technologies, food, infrastructure, security and other strategic areas, in order to allow the European economy to recover faster and to be more resilient and sustainable in the future. The Internal Market will be the key in achieving these objectives.

The resilience of the Internal Market is needed more than ever in order to accommodate the shocks we are experiencing today. For this reason, we welcome the Commission's intention to present a new Single Market Emergency Instrument in the beginning of next year.

I will now give the floor to Managing Director EICHORST who will add some comments on the overall functioning of the EEA Agreement, and then to Deputy Director-General RUTE for her considerations on the effect of the COVID-19 crisis on the Internal Market.

Intervention of Managing Director Angelina EICHHORST on behalf of the EEAS

Dear Ministers, Representatives of EFTA/EEA institutions, Ambassadors, ladies and gentlemen,

I am pleased to share with you our assessment of the functioning of the EEA Agreement.

Last year was in many ways different from any other year in the history of our EEA Agreement. The unprecedented pandemic has impacted on all aspects of our lives and in many cases; it has taken the highest toll.

Even in these difficult times, the EEA Agreement proved to be a solid instrument of our cooperation and helped us to jointly address common challenges.

I am glad that we have continued our particularly close cooperation on vaccines. We have decided to exempt the EEA EFTA States from the EU's COVID vaccine export authorisation mechanism. The EU is hereby recognising the specific situation of EEA EFTA states, including the fact that most of the exports to EEA EFTA states consist of vaccine procured pursuant to an Advance Purchasing Agreement.

I am also pleased that we have made progress towards finalising the review of the 2014-21 EEA Financial Mechanism with a view of adopting the joint conclusions on the review at the EEA Joint Committee meeting on 11 June.

The Council adopted the necessary Decision to start the negotiations on the future EEA Financial Mechanism on 20 May. We are looking forward to starting the negotiations as soon as possible after the adoption of the review.

Let me underline that the EEA is successful because it strikes the right balance between the obligations and benefits of the participants. It is now important that the EEA EFTA States continue to contribute to the reduction of social and economic disparities in the EEA at an appropriate level and commensurate to the benefits gained from this participation, as other Single Market participants.

Moving on to the core of our EEA work, I am pleased to note that despite the limitations due to COVID, the EEA Joint Committee has been able to continue its regular meetings from March 2020 on by virtual means. Moreover, we have coordinated five crucial written procedures, through which we incorporated urgent COVID related legislation.

Achievements

Since our last meeting in November, we have made good progress on a number of files.

We have made very good progress on the incorporation of the 3rd and 4th Railway packages.

Let me note that our Commission colleagues have agreed with your request that EEA EFTA nationals shall obtain the right to vote in their role as experts in the Board of Appeal of the European Railway Agency. This evidences the extraordinary level of participation of experts from EEA EFTA countries in institutional structures of our agencies.

We have also reached promising progress on the incorporation of the Tobacco Product Directive. We trust that finalisation of this process, should now be a formality.

The work to incorporate the legal acts concerning the Body of European Regulators for Electronic Communications (BEREC), a file that has been discussed between us since 2016, has been progressing well since we last met. We have reached an agreement on the way ahead, and this file is currently in the final stages of the approval process on our side.

Another important decision, to which I would like to draw your attention, was adopted in December last year and concerned a triangular system of reciprocal protection of social security rights of nationals of the UK, Switzerland, the EEA EFTA States and the EU.

The adoption of this decision has a direct positive impact on citizens in the whole European Economic Area, who by the end of the transition period of the UK Withdrawal Agreement were in a cross-border situation involving one or more of the parties.

Challenges

Substantial work is still needed concerning legislation pertaining to Energy Efficiency and the Energy Performance of Buildings. We would like also to make more progress on the Ship Inspection Regulation.

This year we have also the major task to ensure your participation in EU Programmes for the next Multiannual Financial Framework 2021 - 2027. We are currently working on the preparation and adoption of the necessary legal acts which is a major undertaking, involving many levels and stakeholders under tight timelines.

Your participation is very welcome as it further deepens our cooperation, brings an added value; the expertise of participants from your countries is highly valued.

The EEA EFTA States have expressed interest to continue participating in 13 EU programmes, including some new programmes as for example the European Defence Fund.

I am pleased to confirm that the preparations for your participation are on track, and the draft Joint Committee decisions are being processed with urgency.

During this process, we need to ensure that stakeholders from your countries can participate in the preparatory activities.

With this objective in mind, we have distributed an internal document to the relevant Commission services to draw their attention to provisions of the EEA Agreement covering participation of your experts in these preparatory activities.

BACKLOG

The list of our challenges would not be complete without mentioning our, unfortunately, customary point – the backlog.

On the EU side, since the beginning of the year, we have been able to address some of our bottlenecks in processing Joint Committee Decisions (JCDs). As a result, the backlog pending on our side has been gradually reduced. We want to continue this positive trend.

However we note that the number of acts submitted to us for the past Joint committees have been rather low in numbers. We would therefore like to encourage you to process and submit to us more JCDs. Looking at the latest backlog, as calculated on 12 May, there are altogether 558 pending acts. Out of this number, 14 acts have been ready for several months on the EU side and we would very much welcome if you could submit them for adoption at the forthcoming Joint Committees.

We consider the high number of adopted JDCs, which have not entered into force because they have been awaiting fulfilment of constitutional requirements, as another pending challenge.

Some of these JCDs awaiting entry into force have been adopted a long time ago, like for example in the area of financial services that have been waiting since 2018 - Obviously, an already adopted decision that does not enter into force for three years creates obstacles and is not in line with the goal of legal certainty and homogeneity of the internal market, we have agreed to achieve. We look forward to progress on this.

Dear Ministers, Representatives of EFTA/EEA institutions, Ambassadors, ladies and gentlemen, thank you for your attention.

Intervention of Deputy Director-General Maive RUTE on behalf of the European Commission

Dear Ministers,

Ladies and Gentlemen,

From the onset of the pandemic, the Commission has been mobilising all means at our disposal to help our Member States coordinate their national responses.

In the update of our Industrial Policy adopted on 5 May 2021, we provided substantive analysis assessing the resilience of the Single Market and drawing the lessons from the COVID-19 crisis. I already presented to you some of its main features.

The COVID 19 crisis proved that in order to ensure that everyone has access to the goods they need and that EU-wide supply chains continue to operate in crisis time, the Single Market is essential.

Since the beginning of COVID 19, we have worked with producers of protective equipment to identify available stocks, map the manufacturing capacities and we watched closely where shortages were building up. To counter the shortages, we created a strategic reserve EU stockpile of medical equipment, we set up an EU clearing house to match the demand and supply, and we launched joint procurement of medical supplies.

To deal with a transport system under strain and with border controls, the Commission issued guidance on border management and we introduced so-called Green Lanes to ensure a continuous flow of goods across the EU and to avoid bottlenecks at key internal border crossing points.

The Commission has also issued guidelines concerning the exercise of the free movement of workers during the COVID-19 outbreak to ensure, where possible, that mobile workers and the self-employed in occupations that are critical to fighting the coronavirus pandemic can reach their workplace.

Based on Council Recommendation on a coordinated approach to the restriction of free movement, Member States should in principle not refuse the entry of persons travelling from other Member States and provide specific exceptions for transport workers and cross-border commuters. I understand this approach was broadly shared with our EEA partners.

However even as recent as in February and March 2021, a significant number of Member States introduced entry/exit bans and temporarily reintroduced internal border controls. This had a strong negative effect on free movement of goods and services. The Commission repeatedly raised the question of proportionality of specific measures such as entry/exit bans and testing requirements with our Member States bilaterally through political dialogue. The Commission also sent administrative letters to a number of Member States raising this question.

The COVID-19 crisis has shown that the current legal framework for the single market is insufficiently adapted to crisis situations. President von der Leyen has announced an upcoming Single Market Emergency Instrument in view of possible future crises.

In the updated Industrial Strategy of 5 May, the Commission outlined the details of this Instrument as a structural solution to ensure the availability and free movement of goods and services in the context of possible future crises.

It should guarantee more transparency, coordination and solidarity to help mitigate the negative impacts on the Single Market, including by ensuring more effective governance. It should also build a mechanism through which Europe can address critical product shortages by speeding up product availability (e.g. standard setting and sharing, fast-track conformity assessment) and reinforcing public procurement cooperation.

Ladies and Gentlemen,

Despite the challenges it currently faces, our single market, over all, remains a haven of stability and predictability for all its participants and stakeholders, including of course for our EEA partner countries.

If I may quote a spokesperson of the Norwegian high-tech company *Kongsberg*: “The EEA Agreement is vital for us. It gives us access to the Single Market on equal terms with our main competitors, and also gives us an avenue to lodge complaints when we feel competition is not happening on a level playing field.”

Its inherent strength – a market of 450 million people with a single rulebook regarding the Four Freedoms – is a big advantage to all its members in uncertain times. It will help us to overcome the crisis together stronger and more resilient.

Thank you.

Intervention of Minister Guðlaugur ÞÓR ÞÓRÐARSON on behalf of the EEA EFTA States

Dear Colleagues,

We have come a long way in fighting the COVID pandemic since our last meeting. Our institutional framework has been put to the test, but our work has continued largely without disruption. The EEA EFTA States wish to extend our appreciation to the Portuguese Presidency, the EEAS, the Commission, the EFTA Surveillance Authority and the EFTA Secretariat for the excellent cooperation during these difficult and unusual times.

We were, from the beginning, able to step up our cooperation to meet the unprecedented challenges, ranging from the repatriation of our nationals stranded abroad to the joint procurement of medical equipment and medicines. The ongoing vaccine roll-out is promising for the normalisation of our societies. We need, however, to remain aligned to preserve the integrity of the Internal Market and to build back faster, collectively, from the pandemic.

Such cooperation is key for the good functioning of the EEA Agreement. We are therefore pleased that in line with the EEA Agreement the Commission earlier this month reinstated the three EEA EFTA States on the list of countries exempted from the EU vaccine export authorisation scheme. We have been participants in the Internal Market for 25 years. No other countries have as close trade and economic relations with the EU as we do. We were therefore surprised when we were removed from the exemption list in March this year. Thankfully, the situation has now been fully resolved, but I would like to take this opportunity to underline the possible negative effect such incidents can have on the trust and support for the EEA Agreement. Going forward, increased dialogue and consultations should help us preserve and further build upon our close cooperation.

One important priority in the coming months will be to facilitate travels across our borders again. In this context, we very much welcome the EU proposal on a COVID-19 Certificate. We are committed to a swift incorporation allowing for a simultaneous entry into force across the EEA. The interoperability is a crucial factor to ensure that the solution developed in Europe will be compatible with certificates issued elsewhere. We therefore welcome further international cooperation on this matter.

Another priority will be the participation of the EEA EFTA States in the new generation of EU programmes. We are working hard with your side to meet the tight timeline for the processing of the Joint Committee Decisions incorporating programme regulations into the Agreement by 10 July 2021. In the meantime, it is essential to ensure that actors from our States can participate in the early stages and preparations of the programmes. While we thank the EEAS for their written note on this issue and for distributing it to relevant Commission services, we rely on your continued support in clarifying our rights at all levels. Moreover, we urge that follow-up is made with the relevant DGs to rectify the specific challenges that we have brought to your attention.

Regarding the EEA and Norway Grants, the current grant period is coming to an end. The EEA EFTA States have recently submitted their review under Protocol 38C of the need to address economic and social disparities in the EEA. We hope to formally conclude this step of the process in the EEA Joint Committee in June.

Finally, the good functioning of the EEA Agreement is of vital importance to all stakeholders across the EEA. We will without a doubt continue to face practical challenges, but we anchor ourselves in the principles of the Agreement, such as the four freedoms, maintaining a level playing field and the two-pillar system.

I would like to commend the positive trend in the reduction of the backlog of legal acts awaiting incorporation into the EEA Agreement. As you recall, the backlog became alarmingly high last year but the results so far in 2021 are encouraging and we trust this good trend will continue. It is necessary that all parties honour their responsibilities by securing sufficient resources in this regard. Let me assure you that the EEA EFTA States remain fully committed to doing our part in making this happen.

Thank you.

Intervention of Minister Guðlaugur ÞÓR ÞÓRÐARSON on behalf of Iceland

Now putting on my Icelandic hat, I would like to highlight the following:

[Two-pillar issues]

The EEA Agreement has worked well for over 25 years. But we must continue to safeguard its unique character. It has become increasingly challenging to find solutions with respect to the so-called two-pillar structure of our Agreement, which foresees an independent EU pillar and an independent EFTA pillar, with EU bodies being mirrored in the EFTA pillar.

Over the last years, powers have tended to be delegated from the EU Member States to EU's agencies and bodies. These bodies can issue decisions which are binding for the EU States and their agencies and economic operators. Finding ways of accounting for these arrangements in line with the principles of the EEA Agreement demands creativity from both sides. We must continue to seek solutions in such cases which respect the two-pillar structure.

[DGS III]

Another issue that I would like to reiterate is the fact that in the field of financial services one act, which is yet to be incorporated into the EEA Agreement, remains a cause of serious concern for Iceland.

I am referring to Directive 2014/49 on deposit guarantee schemes, the so-called DGS III.

Before incorporating the DGS III Directive into the EEA Agreement, it must therefore be absolutely clear that the Directive will not impose any state liability on deposit guarantees for Iceland.

[Market access for agricultural and fish products]

And finally, I would like to reiterate our views concerning trade in agricultural and fisheries products between Iceland and the EU.

The agreement between Iceland and the EU on trade in agricultural products, which was concluded in 2015, has been criticised in Iceland. Brexit and then COVID-19 have changed the basis for the negotiations of the agreement. The agreement is demonstrably not working for Iceland in the way we had expected, and we need to rebalance. We are in talks with DG Agri on this.

And while we have liberalised trade in agricultural goods over the years, no such process has taken place for fisheries products. While the EU is granting tariff free access for fish products in free trade agreements with countries like Canada and Japan, Iceland is still paying tariffs on a large number of products.

It is very difficult for me to justify to Icelandic taxpayers our contributions to less well-off parts of the EEA through the EEA Grants when our key export to the internal market is subject to tariffs. This needs to change.

Thank you

Intervention of Minister Dominique HASLER on behalf of Liechtenstein

Dear colleagues,

Let me add a few thoughts from Liechtenstein's perspective. I am glad that we are back on track with our core business, the incorporation of EU legal acts into the EEA Agreement. The hundreds of JCDs we adopt each year are not just statistics, and neither are the backlog numbers. At stake is the very purpose of the EEA Agreement: homogeneity in the Internal Market, for the benefit of all our economies. This is hard work. I would like to warmly thank everyone involved, both on the EU and the EFTA side.

My Icelandic colleague already mentioned the vaccine export authorization scheme. We are grateful that the issue has been solved. Going forward, more can be done to ensure that our partnership is better understood and fully appreciated. This has both a legal and a political dimension.

Legally, the EEA Agreement has a clear default position: integration, freedoms, homogeneity first. The room for exceptions is narrow, and they must be very well-reasoned.

Politically, the EEA EFTA States are – by far – the closest partners of the EU. Any process that may lead to restrictions should consider their public perception. In addition, the EEA EFTA States should be informed and consulted at an early stage.

But let there be no doubt: Overall, the EEA Agreement continues to function very well. For Liechtenstein and its export-oriented economy, it is the ideal model of European integration.

In this regard, our participation in EU programmes is particularly valuable. As minister in charge of education, I am delighted that Liechtenstein will participate in the new Erasmus+ programme. Over the years, this flagship programme has shaped a truly European youth. It has promoted understanding for the achievements of the Internal Market and prepared many young people for the future. Expanding this programme further was a good choice. I am sure young people in Liechtenstein will gladly take up the opportunity.

Finally, let me briefly comment on the EU's legislative agenda. The EU is working on an impressive new body of laws to advance important agendas, including the pandemic recovery and the digital and green transitions. Many of these acts will become applicable in the EEA EFTA States as well.

In this process of decision-shaping, complex issues are at stake. They go far beyond what can be discussed here. Let me just highlight one important dimension: the need to keep regulation to the necessary minimum. This is not just important for Liechtenstein, with its small administration and its many SME's. Getting the regulatory balance right will be a key competitive advantage for the entire European Economic Area in the global context.

I thank you.

Intervention of Minister Ine Eriksen SØREIDE on behalf of Norway

Ministers and Colleagues,

While there are signs that Europe is starting to recover from the pandemic, it was still not possible for us to meet in person in Brussels. I would very much have enjoyed seeing you all face-to-face. I hope that we will have the chance to do so at our autumn meeting, but we all know that there is nothing straightforward or predictable about the recovery from this pandemic.

It is in times like these that we need strong and effective cooperation. We must all pull together. I would like to thank the Portuguese presidency for its admirable work these past months, and the European Commission and the EEAS for all their excellent efforts.

The COVID-19 pandemic is a health crisis that has far-reaching ramifications for economic, social development and stability. The pandemic has already underlined how interconnected we are, and how dependent we are on international cooperation.

The pandemic has placed European cooperation under pressure. We must continue to work hard together to safeguard mobility and trade, preserve key value-chains in production, and ensure the smooth functioning of the internal market and the integrity of the European Economic Area. With that in mind, I am pleased to note that our joint efforts since our last meeting have indeed improved the rate of incorporation of legal acts into the EEA Agreement. We must continue this common effort to reduce and minimise the backlog. Only then can we ensure fair cooperation and a level playing field throughout the EEA.

It is my hope and belief that Europe, and the EEA, will come out of this pandemic stronger and more resilient, and better able to solve our challenges and build a sustainable future together.

Norway welcomes the EU's willingness to put the European Green Deal at the centre of Europe's post-COVID economic recovery. Fighting climate change and encouraging climate-neutral growth is a defining task. Norway shares the aim of rebuilding to promote a greener, fairer, and more sustainable Europe and we would like to be a partner in this work. Norway fully supports the EU's leadership in promoting sustainable development, multilateralism, and climate-friendly policies across the world. We have technology and expertise that will be of benefit to Europe's green transition. The Norwegian Government will work to strengthen its cooperation with the EU and Europe to achieve the transition to a modern and competitive low-carbon economy.

Let me now turn to our efforts to reduce social and economic disparities in Europe.

The Agreement on the EEA and Norway Grants for the period 2014-2021 expired on 30 April. In accordance with the EEA Agreement, the Contracting Parties have carried out a review and concluded that there is a need to further address economic and social disparities in the EEA. A formal agreement on new negotiations is expected to be put forward in the EEA Joint Committee on 11 June. There will be parallel negotiations on market access for fish and seafood.

The EEA Agreement is not just a mechanism for securing greater welfare, jobs and opportunities for our citizens.

It is also a platform for maintaining, preserving and defending our shared fundamental values and rights. A well-functioning internal market depends on the rule of law and an independent judiciary.

I would like to emphasise the importance of the EEA Grants both as a tool and as a mechanism – for supporting and strengthening fundamental rights, equal treatment and European solidarity.

Through the EEA and Norway Grants, the EEA Agreement contributes to upholding democracy and the rule of law across the Single Market. This work is more important than ever.

Norway's participation in EU programmes is another priority area. The Norwegian Government has submitted a proposal to the Storting recommending that Norway should participate in most of the EU programmes under the next multiannual financial framework, based on the rights and obligations set out in the EEA agreement.

A common set of rights and obligations benefits all parties concerned. This has become even more apparent during this ongoing crisis. It is essential that each of us does our part to actively highlight the successes of the EEA Agreement.

Thank you.

Intervention of Minister Augusto SANTOS SILVA on behalf of the European Union

Thank you very much for this useful exchange of views.

With this, we close our discussion on the overall functioning of the EEA Agreement and the effect of COVID-19 on the internal market.

6. MINUTES OF THE INFORMAL VIDEO CONFERENCE OF THE MEMBERS OF THE EEA COUNCIL ON 18 NOVEMBER 2020

7. JOINT STATEMENT OF THE MEMBERS OF THE EEA COUNCIL

Intervention of Minister Augusto SANTOS SILVA on behalf of the European Union

We are approaching the end of our meeting. I therefore invite the EEA EFTA States to confirm the agreement reached on the Joint Statement of the Members of the EEA Council, as well as the minutes of our previous video conference on 18 November 2020.

Before giving you the floor, I would like to underline once more the importance of inviting EEA EFTA Ministers to informal EU ministerial meetings and ministerial conferences, organised by the Presidency, relevant to EEA EFTA participation in the Internal Market. This participation, as well as the participation of the EEA EFTA Ministers to other types of informal meetings, is very important for all of us.

Intervention of Minister Guðlaugur ÞÓR ÞÓRÐARSON on behalf of the EEA EFTA States

I can confirm our agreement to the adoption of the Joint Statement of the Members of the EEA Council, as well as the minutes of our previous video conference on 18 November 2020.

8. OTHER BUSINESS

Intervention of Minister Augusto SANTOS SILVA on behalf of the European Union

Thank you very much.

The Joint Statement, as well as the minutes, will be made publicly available immediately after the end of our informal meeting.

This brings us to the last item on our agenda: 'Other business'. Would anyone wish to raise an issue under this item?

Intervention of Minister Guðlaugur ÞÓR ÞÓRÐARSON on behalf of the EEA EFTA States

No, thank you, we do not have any topics to raise under 'Other Business'.

Intervention of Minister Augusto SANTOS SILVA on behalf of the European Union

Thank you.

We have come to the end of the informal meeting of the members of the EEA Council. I would like to thank you all for the interesting discussions.

After a short technical break, we will see each other again at 3.45 p.m. for our political dialogue on topical foreign policy issues.

This meeting is now closed.
