

## **A HISTORY OF THE RELATIONS BETWEEN SAN MARINO AND THE EUROPEAN UNION**

**San Marino is a third State with respect to the European Union.** The European Union and San Marino established diplomatic relations in 1983. Following complex political discussions, the European Economic Community and the Republic of San Marino concluded an **Agreement on Customs Union and Cooperation**, signed in Brussels on 16 December 1991 and approved by the European Parliament on 9 July 1992. With a view to the creation of the European Single Market on 1 January 1993 and the consequent abolition of customs barriers among Member States, it had become imperative to immediately implement the rules of the Agreement focusing on commercial matters, in order to allow San Marino goods to move within the territory of the entire Community. Therefore, the **Interim Agreement on Trade and Customs Union** was signed. This allowed to convene the **Cooperation Committee**, envisaged by the Agreement and responsible for the management thereof, which has been able to make many decisions to regulate various technical aspects relating to the trading and customs relation with the Community.

On 1 April 2002, the **Agreement on Cooperation and Customs Union** entered into force (after a long ratification process, during which the trading and customs part was in any case in force). The Agreement establishes a customs union, by abolishing import and export duties and charges having equivalent effect between San Marino and the EU. San Marino undertakes to apply the common customs tariff to goods coming from third countries, as well as the common commercial policy and the Community regulations on trade in agricultural products and Community veterinary, phytosanitary and quality regulations. Under this Agreement, the parties shall establish cooperation not only in commercial matters, but also in other sectors, such as industry, environment, tourism, culture and mass-media. Finally, social provisions have been introduced to mutually recognise a treatment free from any discrimination based on nationality as regards working conditions and remuneration to the nationals working in the territory of the other Contracting Party. Equal treatment is also provided for in the field of social security. Article 19 contains a future development clause, as it envisages that the Contracting Parties may enlarge the scope of

the Agreement by mutual consent in order to supplement the areas of cooperation through agreements on specific sectors or activities.

In the light of the developments occurred after the signing of the agreement, the “**Aide Memoire**”, sent on 17 October 2002 to the EU Presidency, the President of the European Commission, Commissioner Patten and the President of the European Convention, highlighted that San Marino economy is closely intertwined with the European one and therefore mentioned the possibility of “new forms of collaboration over and above the Cooperation and Customs Union Agreement now in force”. Moreover, it pointed out that San Marino, being a small State desirous of preserving its own identity, had to thoroughly consider all implications of a possible membership in the European Union, and that the European Convention was a “valuable opportunity” to jointly address these issues. In the light of this, the Republic of San Marino expressed its willingness “to start together a study and assessment activity”, with a view to subsequently defining, together with the Community Institutions, a common strategy, so as “to meet the expectations of both parties” and “lay the foundations of the relations between the Republic of San Marino and the new European Union of the third millennium”.

San Marino has also taken part in the European monetary integration process. Since the Monetary Agreement with Italy dated 21 December 1991 was already in force and a renegotiation of the existing agreements was necessary following the introduction of the European single currency, the EU conferred upon Italy the mandate to negotiate a Monetary Agreement between the EU and San Marino. The **Monetary Agreement**, signed in 2000 and entered into force in 2001, sets forth that San Marino is entitled to use the euro as its official currency and is required to make Community rules on euro banknotes and coins applicable in its territory. The Republic of San Marino may issue a specified amount of euro coins, which shall be identical to those issued by the Member States of the EU. In addition thereto, it is required to use the Italian Mint and no other establishment to mint its coins. Financial institutions located in the Republic of San Marino shall have access to payment systems within the euro area through Italian payment systems under appropriate conditions determined by the Banca d’Italia with the agreement of the European Central Bank. The renegotiation of the Monetary Agreement concluded in Brussels on 29 March 2012 with the signing of the **Monetary Agreement** between the European Union and the Republic of San

Marino. This Agreement replaces the Monetary Agreement signed on 29 November 2000. The new text transposes Community regulations on the protection of the euro against counterfeiting and on the prevention of money laundering. Moreover, it brings banking and financial legislation in line with that of the Member States of the euro area. It also provides for the establishment of a **joint Committee** – aimed at favouring the implementation of said text and addressing any amendment to the list of Community provisions to be applied by San Marino – as well as for the introduction of a new method to establish the ceiling for the issuance of euro coins, with a view to treating all countries having signed monetary agreements with the EU equally.

Always at the Community level, in October 2004 - with Presidency Note to the Council's Strategic Committee on Immigration, Frontiers and Asylum (no. 13020/04 REV 1) - the request submitted by San Marino and concerning the crossing of EU external borders was substantially accepted. This decision enables San Marino citizens **to use the so-called “EU corridors”** at the check posts on the external frontiers of Member States that apply the provisions of the Schengen Agreement, without undermining the control regime.

Moreover, on 7 December 2004, San Marino concluded with the European Union an **Agreement on taxation of savings income** based on the same elements already provided for in the agreements with Switzerland and the other European small States (Andorra, Monaco and Liechtenstein). A **Memorandum of Understanding** between Member States and San Marino is attached to this Agreement. Point 4 of the Memorandum of Understanding establishes that, in the context of the strengthening of relations between San Marino and the EU, “the conclusion of tax agreements with Member States of the European Union” “and San Marino’s commitment to provide, within this framework, for information exchange in accordance with OECD standards, would enhance wider economic and tax cooperation”. In this case, “recognising the efforts made by San Marino, consultations could take place between San Marino and the Member States with the objective of eliminating or reducing, on a bilateral basis, double taxation in relation to different forms of income”.

In April 2010, San Marino adopted the **“Omnibus” Decision no. 1/2010 of the EU-San Marino Cooperation Committee in the area of customs union**. Such Decision includes

all decisions previously made by San Marino in order to comply with the provisions of the Interim Agreement on Trade and Customs Union and it reiterates the full effectiveness thereof in the framework of the current Agreement on Cooperation and Customs Union. In the text of the Decision new aspects are introduced, including the enforcement of the legislation protecting endangered species of wild fauna and flora (CITES), by virtue of which the territory of the Republic of San Marino shall be now considered a Community territory, thus leading to a simplification of the administrative procedures applying to imports and exports between San Marino and the EU. The Decision also defines the procedure for the transposition of the customs union rules in the following areas: common commercial policy, market surveillance, health, safety and protection of consumers, agriculture, food safety, veterinary and phytosanitary matters. Finally, the **list of customs offices authorised** to carry out customs clearance of goods coming from third countries and destined for the Republic of San Marino has been extended, as wished by San Marino economic categories.

Since the beginning of the XXVII legislature, the Ministry of Foreign Affairs has promoted a process of analysis and study of the various modalities of a possible European integration, also by establishing, from the very beginning, political and diplomatic contacts. In July 2009, **a first meeting was held with the European Commissioner for External Relations and European Neighbourhood Policy, Benita Ferrero-Waldner**, who acknowledged the excellent relations existing between San Marino and the European Union and welcomed the intention to possibly strengthen such relations in the forms and ways most suitable to the characteristics and typical aspects of our State. To this end, in January 2010, a **Technical Group** was established (coordinated by the Foreign Affairs Department) **to assess new policies for the integration with the European Union**. Such Technical Group has carried out an analysis on the problems of the country with a view to proposing technical solutions through different forms of integration.

In September 2010, San Marino attended a **seminar on the European Economic Area for the small States of Europe**, organised by the European Commission: it was an opportunity to effectively and directly exchange views on the possible scenarios for integration in the single market.

The **Final Report of the Technical Group** was submitted to the Great and General Council in its sitting of 15 December 2010. At the end of the sitting a **Decision** was approved which gives to the Government the mandate to start negotiations aimed at achieving a greater and better integration of the Republic of San Marino at a European level, to obtain all useful elements and assess the existence of political and international conditions necessary to start negotiations for the accession of the Republic to the European Union.

San Marino's position vis-à-vis the European Union is still subject to political debate in the country. The current Government is taking action to adopt a strategy for closer relations with the EU, also with a view to overcoming the rigidity of some dynamics concerning bilateral relations.

In January 2011, the Minister of Foreign Affairs sent, on behalf of San Marino Government, a **letter to the President of the European Commission and the President of the European Council** to inform them of the activities and initiatives carried out to analyse European issues thoroughly, and to request to undertake consultations aimed at verifying forms of greater integration of San Marino with the European Union.

During 2010 and 2011, several political and diplomatic meetings were held. In October 2010, **the Minister of Foreign Affairs met in Brussels with the Vice Prime Minister and Minister of Foreign Affairs of Belgium, Steven Vanackere, at that time President of the European Union**, who expressed the intention of the EU to favour San Marino's greater integration, in the forms to be considered together as the most satisfying for both parties. Moreover, with a view to finding the best possible solution in terms of increased integration with the European Union, the relations with the services of the European Commission have been strengthened, with particular reference to the External Action Service.

On 13 December 2010, **the European Council adopted a document on relations between the European Union and the EFTA countries**. In the conclusions of this document, reference is made to the possibility of assessing the relations with the small States of Europe, in particular the Republic of San Marino, the Principality of Monaco and the Principality of Andorra, by starting to carry out an analysis on the possibilities and

modalities of their progressive integration in the internal market, taking into account their particular situation, during the following six months of 2011.

Following the starting of this process, on 14 June 2011 the European Council acknowledged, under the aegis of the Hungarian Presidency, a **Report prepared by the EFTA Group** concerning the integration of the three-States (San Marino, Andorra and Monaco). This Report provides for a reference legal basis, which is the same for all three-States, but which takes into account their specific national features during negotiations. Finally, it invites to carry on consultations, considering that, to start negotiations, the Commission will need to receive the relevant mandate by the Council. In this regard, the Report is an important turning point since, for the first time, the European Union commits to dealing with the three-States with quite a precise timing: the competent services of the Commission will have to provide recommendations on the integration of the three-States with the internal market by June 2012, after having carried out an in-depth analysis of the new possible institutional framework.

In June 2011, the San Marino Parliament approved a **second Decision** submitted by majority Parliamentary Groups and Representations, according to which the Institutions commit themselves to guaranteeing full implementation of the Cooperation and Customs Union Agreement with the EU and to starting negotiations for the Republic's European integration. These indications were then discussed in a meeting of the Parliamentary Commission for Foreign Affairs of 13 July 2011, during which **another Decision** was approved by unanimity. Such Decision substantially reiterated the contents of the Decision approved by large majority by the Great and General Council on 7 June 2011.

On 14 July 2011, the competent services of the European Commission received an official letter convening the EU - San Marino Cooperation Committee, envisaged by the Cooperation and Customs Union Agreement in force, relative to a series of issues that have risen over the last years, with a view to improving the application and functioning of the Agreement and to considering new fields of collaboration.

In September 2011, **the Minister of Foreign Affairs, Antonella Mularoni, met in Brussels with the President of the European Council, Herman Van Rompuy**, who expressed his satisfaction with San Marino's desire to strengthen relations with the EU, by

underlining that greater integration with small States is for the European Council a priority and commitment to identifying the best legal framework, so that the needs of all parties involved can be met.

The **EU-San Marino Cooperation Committee met** on 20 October 2011 and discussed some issues, including the possible establishment of a San Marino customs office, the improvement of free circulation of some goods, the strengthening of cooperation in the infrastructure and tourism field, as well as in the health sector. Moreover, some particularly sensible issues related to the financial sector were underlined.

In November 2011, the Minister of Foreign Affairs and the President of the Permanent Parliamentary Commission for Foreign Affairs went to Berlin to participate in an initiative organised by the German Government and Parliament and aimed at carrying out an in-depth analysis of the strengthening of relations between the European Union and the three-States (Andorra, Monaco and San Marino).

On 1 January 2012, the **“Directorate of European Affairs”** was established within the **Foreign Affairs Department**, as envisaged by the reform of the Public Administration, with the precise task of following the process of greater integration with the European Union, which will have an increasing importance.

On 23 March 2012, **a meeting on European integration among technical delegations of the Principality of Andorra, the Principality of Monaco and the Republic of San Marino was held in San Marino**. This meeting was organised in response to the invitation contained in the Report of the Hungarian Presidency to the Council of Europe dated 14 June 2011, which encouraged to adopt “current and future measures of the three-States to strengthen the convergence of their respective legislations with the EU *acquis* on the internal market”. The three-States involved have indeed shared the need to carry out together an in-depth analysis of the European integration process through a series of specific meetings on issues concerning the fundamental freedoms characterising the European internal market. This first meeting focused on freedom of movement of people and dependent workers, with a view to increasing the knowledge of the respective regulations and also of the most topical problems encountered, considering the relations that each of the three-States has had with the European Union until today.



With a view to promoting European studies and to developing new professional skills to be used within the Public Administration, thus contributing to the achievement of greater and better European integration, in 2012 a **call for submission of applications for the award of two scholarships at the College of Europe in Bruges** (Kingdom of Belgium) was published. On the basis of the final list of successful candidates, drawn up by the officials of the Admission Office of the College of Europe after interviewing the candidates, a San Marino female citizen was chosen, who, starting from September 2012, will be admitted to the Master of Arts in European Economic Studies. At the end of the academic year, she will continue her training at the Foreign Affairs Department – Directorate of European Affairs for two years.

On 19 June 2012, a **meeting of the EFTA Group of the European Council** was held in Brussels. During this meeting, the activity carried out over the last year by the External Action Service, with the collaboration of the three-States and of the European Commission, was acknowledged. Moreover, the continuation of the consultation process was approved, with a view to ultimately formulating specific recommendations on the integration of the three-States in the internal market.

On 11 July 2012, **the Minister of Foreign Affairs, Antonella Mularoni, met in Brussels with the President of the European Commission, José Manuel Barroso**. Minister Mularoni and President Barroso shared the importance of carrying on the process of European integration, already started by San Marino, Andorra and Monaco. President Barroso encouraged the Republic of San Marino to continue with the consultations in view of the conclusion of a Framework Agreement providing for access to the European internal market. The European Union will be in a position to submit, by the end of 2012, a document containing some proposals for integration, which will be thoroughly examined by the Governments of the above-mentioned countries. President Barroso finally expressed his appreciation for the work done so far by San Marino and the hope that the three-States will reach a common position, with a view to facilitating their integration in the European single market.

On 24 September 2012, **a meeting between the technical delegations of the Principality of Andorra, the Principality of Monaco and the Republic of San Marino on European**



**integration took place in Andorra** with a view to continuing to improve the knowledge of the respective legislations and of the most topical problems concerning the relation that each of the three States has had with the European Union till now. After the meeting of March 2012 in San Marino on free movement of people and dependent workers, this second meeting considered the in-depth studies conducted over the last months within the three countries, through the contributions of the relevant technical sectors, on the indications contained in the documents prepared by the European Union Services in relation to free movement of capital, goods and services and more in general on their cooperation with the EU.

Upon conclusion of the technical consultations on the major issues concerning the Internal Market, held between the Community services and the three small States in the preceding months, on 20 November 2012 **the Commission submitted** to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions **a Communication on the relations of the European Union with the Principality of Andorra, the Principality of Monaco and the Republic of San Marino**. Such document lists a series of options for a closer integration of the three countries with the European Union. Attached to the Communication is **a working paper** drafted by the Commission services **on the obstacles to the access to the EU Internal Market and on the collaboration in other sectors** other than the four fundamental freedoms.

In the framework of the existing collaboration between San Marino and the European Union for a better and closer integration with Europe, **a visit of the EFTA Group of the Council of the European Union was organised in San Marino** from 18 to 20 December 2012. On that occasion, the diplomatic Representatives of the EU Member States were given many information on San Marino and could gain a more precise picture the problems existing in the relations of San Marino with the European Union. The EFTA Group, which was accompanied by some officials of the European External Action Service, of the Secretariat of the Council of the European Council and of the European Commission, held numerous meetings with the representatives of the economic, financial, productive, political and social sectors of the Republic of San Marino. During the works, the participants could witness the lively and democratic approach characterising the meetings and the interest shown by the

different actors in an attempt to identifying a process for better and closer European integration of San Marino.

On 20 December 2012, **the Council of the European Union adopted its Conclusions** on the EU relations with the Principality of Andorra, the Principality of Monaco and the Republic of San Marino. The Council took good note of the efforts made for closer integration and encouraged to continue this work and hold consultations with a view to identifying the feasibility and the degree of support for the options deemed to better meet the integration needs of the three small States.

At the end of an ad-hoc debate on the development of relations between the Republic of San Marino and the European Union, in its sitting of 28 February 2013, the Parliament approved a **petition** which, having ascertained the common willingness of political forces to implement the integration process of the Republic of San Marino with the European Union, mandates the Government to assess the administrative requirements necessary to the implementation of the relevant *acquis communautaire* in the studies and exchange of views envisaged for 2013 by the Conclusions of the European Union of 20 December 2012. It also assigns the Government the task of identifying the instruments necessary to adequately support the Administration in this process.

On 6 and 7 March 2013 the **Minister of Foreign Affairs, Pasquale Valentini, was in Monaco**, together with Minister of Foreign Affairs of the Principality of Andorra, Gilbert Saboya, upon the invitation of José Badia, Minister of Foreign Affairs of the Principality of Monaco, to participate in some meetings focusing, in particular, on the relations of the their respective States with the European Union. The meetings gave the Ministers the opportunity to **exchange their views also on possible future developments in the relations of the three small countries with the EU**, in the light of the indications contained in the Conclusions of the Council of the European Union on the relations with the Principality of Andorra, the Principality of Monaco and the Republic of San Marino, adopted on 20 December 2012. The Delegations of San Marino and Andorra were also received by the Minister of State of the Principality, Michel Roger.

On 11 and 12 March 2013, **a delegation of the Community Services visited San Marino**. The visit was part of the process mentioned in the document "Conclusions on the the Relations between the EU and the Principality of Andorra, the Republic of San Marino and the Principality of Monaco", adopted by the Council of the European Union last 20 December, which, with a view to a greater European integration of the three small States, encourages further analysis and reflections, starting in the first semester 2013, through the organisation of ad-hoc consultations between the competent Community Services and the three States involved. The visit of the delegation of the Community Services **started a process aimed at better understanding and analysing, at a technical level, the country's administrative capacity**. To this end, various meetings were organised with the Directors of all Public Administration Departments and, in particular, with the officials already involved in the transposition and implementation of EU provisions into San Marino legislation, with regard to their field of competence. In this context, a few visits to some offices were also made. The visit started with a meeting with the Minister of Foreign Affairs, Pasquale Valentini, and a Government delegation, during which EU officials illustrated the indications contained in the document of 20 December 2012 and, in particular, the options for a closer European integration, with a view to guaranteeing access to EU internal market, as San Marino hopes for.

Following this meeting, the **European Commission services sent to the San Marino Administration an ad-hoc and detailed questionnaire**. Such document, which was properly filled in with the answers from all Public Administration Departments to the questions concerning relevant and different offices and sectors, was sent to the EU services in June 2013. The document, which is the result of a detailed administrative survey with respect to the EU legislation mentioned therein, should give to the Community services a better knowledge of San Marino Public Administration and of the country itself. This is a sine qua non condition for the subsequent verification of the "administrative capacity" of the country with regard to the transposition and monitoring of the implementation of the EU *acquis*, in line with the process of greater European integration undertaken by San Marino, in accordance with the Conclusions, adopted by the Council of the European Union on 20 December 2012, on EU relations with the Principality of Andorra, the Republic of San Marino and the Principality of Monaco.

In San Marino, on 13 June 2013, **a meeting was held among the Minister of Finance, Claudio Felici, the Minister of Foreign Affairs, Pasquale Valentini, and the European Commissioner responsible for taxation and customs union, Algirdas Semeta**. Indeed, Commissioner Semeta was in San Marino - in the context of similar meetings also with representatives of the Administrations of Monaco, Andorra, Switzerland and Liechtenstein - to define with the two Government Representatives, as a first step, the framework for the **renegotiation of the agreement on savings taxation** signed by San Marino in 2004. This is a consequence of the recent decision made by the Council of Ministers, authorising the European Commission to agree protocols amending the agreements signed in 2004 with certain third countries having special links with the EU.

Upon invitation by the Minister of Foreign Affairs, Pasquale Valentini, the **Ministers of Foreign Affairs of the Principality of Andorra and of the Principality of Monaco, Gilbert Saboya and José Badia respectively, accompanied by their Delegations, were in San Marino** to take part in a meeting held on 15 July 2013. This meeting enabled to take stock of the relations of the respective countries with the European Union and to resume the discussions - after the meeting among the three Ministers of Foreign Affairs held last March in the Principality of Monaco - on the steps taken so far along the path indicated in the document "Conclusions on the Relations between the EU and the Principality of Andorra, the Republic of San Marino and the Principality of Monaco", adopted on 20 December 2012. This meeting was an occasion also to discuss future strategies concerning several topical issues at a European level, which are presently being considered by the three small States.

On 20 August 2013, in the context of their common participation in the meeting "Europe of Peoples, Europe of States", during the 34th edition of the "Meeting for Friendship among Peoples", the **Minister of Foreign Affairs, Pasquale Valentini, met with the President of the European Parliament, Martin Schulz**, who confirmed his interest in the process undertaken by San Marino towards a greater European integration. Moreover, President Schulz expressed his readiness to pay an official visit to San Marino in the months to come.

On 18 November 2013, **the European Commission approved the text of the "Report to the European Parliament, the Council, the European Economic and Social Committee and**

the Committee of the Regions **relating to EU relations with the Principality of Andorra, the Principality of Monaco and the Republic of San Marino: options for their closer integration with the internal market**". The document was adopted by the European Commission following a year of particularly intense work at a political, diplomatic and technical level between San Marino and the European Union. This document was drafted on the basis of the consultations between the EU and the countries of small territorial dimensions and EFTA/EEA countries (European Free Trade Association/European Economic Area) and it was integrated with information gathered during on-site visits, in March 2013, by specific Delegations of the European External Action Service (EEAS) and the European Commission Services to the three countries involved. This information was then supplemented with the answers provided by the three countries to a Questionnaire on their legislation and administrative capacity.

On 16 December 2013, **the Council of the European Union issued the Conclusions** in which it welcomes the Report from the Commission on "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", and, on the basis of the indications contained therein, it invites the Commission and the High Representative, as appropriate, **to submit to the Council, by the end of April 2014, a Recommendation to open negotiations** with the Principality of Andorra, the Principality of Monaco and the Republic of San Marino **on one (or several) Association Agreement(s)**.

On 30 January 2014, **the Minister of Foreign Affairs, Pasquale Valentini, and the Minister of Finance, Claudio Felici, met the President of the European Commission, José Manuel Barroso**, in Brussels.

President Barroso confirmed the EU interest in further strengthening its relations with small States through the process outlined in the documents recently issued by the European Commission and the EU Council, which San Marino is undertaking with attention. President Barroso also expressed **satisfaction with the implementation of the Monetary Agreement** between the European Union and the Republic of San Marino, **as well as with San Marino's access to the Single Euro Payments Area - SEPA** as from 1 February 2014.

On the occasion, the Representatives of the San Marino Government described the present economic situation of the country, in relation to which closer integration with the European Internal Market might help overcome some challenges and make a positive contribution. Furthermore, they also talked with President Barroso about **the exchange of views currently taking place between San Marino and the EU for the revision of the Savings Taxation Agreement**.

On 7 March 2014, a delegation of the Services of the European Union, composed of officials from the External Action Service (EEAS) and the European Commission, was in San Marino for a useful exchange of information and opinions in view of the forthcoming decision by the Council of the European Union. Indeed, on the basis of the report submitted by the European Commission, the Council shall approve with a recommendation the opening of ad-hoc European negotiations with the Republic of San Marino, the Principality of Andorra and the Principality of Monaco, for the definition of one or more Association Agreements with the EU.

The visit started with a **meeting of the delegation of the European Union with the representatives of the Government of San Marino** composed of the Minister of Foreign Affairs, Pasquale Valentini, the Minister of Finance, Claudio Felici, the Minister of Industry, Marco Arzilli, and the Minister of Territory, Matteo Fiorini. Besides several aspects concerning the preparation and conduct of negotiations and the related commitments, the meeting focused, in particular, on the institutional issues to be included in the Agreement.

Subsequently, **the delegation met with the Directors of the Departments of the Public Administration**, who will be directly involved in the following stages of the negotiations. Also this meeting enabled to exchange a large number of information and was a useful opportunity for dialogue and mutual knowledge at a preliminary stage, which will be followed in the next few month by an operational one, as anticipated by the Recommendation of the Council of the EU.

In order to deal with the successive rounds of negotiations, **a specific Technical Group was established** with Congress of State Decision of 29 April 2014, **with the task of**

**analysing and comparing San Marino legislation with the relevant EU *acquis*** concerning the four fundamental freedoms of the internal market, as well as of discussing in detail any other specific aspects. In addition, always through the above-mentioned Decision, **the Chief Negotiator** for future negotiations with the competent Community Services **was designated**, namely the Head of the Mission of the Republic of San Marino to the European Union.

The Technical Group is coordinated by the Directorate of European Affairs of the Department of Foreign Affairs and is composed of representatives of the various sectors of the Public Administration, who are responsible for monitoring, as a priority and for the entire duration of the relation and of the possible implementation of the Agreement, the critical issues concerning the activity of the areas of the respective Departments in the context of the EU legislation, as well as for representing them in relation to the development of the negotiations.

Taking advantage of the valuable support of a legal advisor, since April 2014 the Technical Group has met on several occasions and has terminated its analysis when, **in August 2014, a summary document was developed** containing the potential critical issues for San Marino, the most appropriate internal adjustments needed to fill the gaps identified during the assessment stage and other useful information for guiding the choices of the future negotiation, which shall nevertheless take into account the specificities most relevant to the country.

In order to interconnect the working groups currently operating in various sectors, **two meetings were held among the consultants who, in various capacities, are collaborating with the Government and are working on matters relevant to European integration.** These meetings provided an opportunity for discussion and exchange of proposals and considerations and were also useful to illustrate the work so far carried out in each area of competence. In this regard, a reference was also made to the presentation of the guidelines of the reform concerning the possible introduction in San Marino of the General



Consumption Tax, which could have a significant impact on the reduction of barriers to the country's competitiveness, also in relation to the free movement of goods.

On 16 July 2014, **a training seminar on the European Union and the Association Agreements, conducted by the legal advisor to the Government, was organised.** This seminar was attended by the members of the Technical Group, officials of the Public Administration designated by their respective Directors, as well as representatives of economic and social categories of the Republic of San Marino and all those involved in the Development Committee.

In September 2014, the Head of Mission of the Republic of San Marino to the EU participated in a meeting of the EFTA Group of the Council of the European Union. On this occasion, the activities hitherto carried out by the country in the process of integration were illustrated. Moreover, the need was expressed for the new Agreement to constitute the most appropriate basis for the promotion of the interests of the parties involved, as well as the definition of a legal framework capable of ensuring a sustainable development of relations.

After the examination and approval by Coreper (Committee of the Permanent Representatives of the Governments of the Member States to the European Union) on 10 December 2014, **the Council of the European Union officially conferred upon the Commission, on 16 December 2014, the mandate** for the negotiation of one or more association agreements between San Marino, Andorra, Monaco and the EU. According to the press release of the Council of the European Union, the agreement(s) will provide for the participation of these countries in the EU's single market and cooperation in other policy areas. Their rapprochement with the single market legal framework should favour both sides, which will benefit through the substantial reduction or elimination of obstacles to trade and the free movement of goods and persons. Moreover, the level of market access by the three small States should be comparable to that enjoyed by the non-EU European Economic Area member States.

At the conclusion of the relevant Parliamentary debate on the mandate for the conclusion of one or more association agreements with the EU, **on 23 January 2015 San Marino Parliament approved a Decision**, submitted by majority political forces and voted almost

unanimously. Such Decision commits the Government to ensure that negotiations are aimed at finding the most fruitful balance between the interests of the parties involved, by adapting the specific needs of the EU and of San Marino, starting from the definition of the most appropriate institutional framework common to three countries. This objective will be achieved through an extremely flexible agreement guaranteeing homogeneity and a smooth functioning of the internal market. However, this agreement will also have to take into account the particular situation of each of the three countries, in the light of Declaration no. 3 on Article 8 of the Treaty on the European Union, according to which "the Union will take into account the particular situation of small-sized countries which maintain specific relations of proximity with it".

This Decision also identifies the areas of particular national interest. In addition, it highlights the efforts to be undertaken to strengthen the negotiating Group, as well as to increase the level of professional skills of managerial staff in the competent sectors of the public administration, by hiring more qualified human resources. It also expresses the hope that negotiations duly consider the efforts made by the country to transpose financial transparency and international collaboration standards, as well as the good level of cooperation in the field of foreign policy that San Marino has granted to Europe over the years. Finally, it recommends the creation of a Permanent Research Centre to study the Community acquis and the problems arising from it, also in relation to the implementation of the Agreement.

**On 13 February 2015 the Foreign Ministers of the three small States gathered in Brussels** to discuss the work in progress at the level of individual administrations and civil society, as well as the most sensitive areas to be considered during negotiations. This was also an opportunity to meet with the competent officials of the European External Action Service, in order to draw up a timetable and start to outline the possible organisation of future negotiations.

**On 18 March 2015, in Brussels, the negotiations** for the conclusion of one or more association agreements with the European Union **have officially been started**, in the presence of Federica Mogherini, High Representative of the European Union for Foreign

Affairs and Security Policy and Vice-President of the European Commission, the Minister of Foreign Affairs Pasquale Valentini and his counterparts of Andorra and Monaco.

Some bilateral meetings between Italy and San Marino have also been arranged in order to carry out an audit of existing bilateral agreements, as requested, inter alia, by the European Commission itself. The aim is to define a single corpus and then proceed to the analysis of the impact of the association process on these agreements, in order to better match them to the transposition of the Community acquis, and specifically by referring to the topics to be included in the legal basis of the future Agreement.

Following the ceremony for the official launch of negotiations on one or more association agreements with the European Union, which took place in Brussels on 18 March 2015, the first negotiation meetings were held between the European External Action Service and the delegations from Andorra, Monaco and San Marino.

**A San Marino delegation visited the Grand Duchy of Luxembourg on 19 and 20 March** for a series of meetings with competent Government Authorities, also in consideration of Grand Duchy's Presidency of the Council of the European Union at the end of Latvia's six-month Presidency.

In the **first technical meeting** held in **Brussels on 5 May 2015**, the Commission presented, in accordance with the mandate received from the Council, the main **institutional issues concerning the future Association Agreement(s)** (objectives, structure, basic principles, institutions and procedures).

On the occasion of the **second technical meeting** held in **Brussels on 22 June 2015**, the delegations of the three countries were able to present their **comments/observations on the Commission's proposals** relating to the institutional framework of the future Association Agreement(s).

The Commission took note of the proposals received from the three delegations and undertook to transmit as soon as possible a draft document to be discussed in more detail during subsequent meetings; in **July 2015**, the competent **offices of the EEAS sent to the three small States a working proposal for the definition of the institutional part** of the future Association Agreement.

Since that time, also by virtue of what was discussed in the second meeting of 22 June on the institutional framework - in which the parties also agreed to present the specific areas concerning the four freedoms and complementary policies defining the scope of the integration of the three countries in the EU internal market, in addition to the analysis of the institutional part - the **negotiation rounds were carried out on a double track**: on the one hand, the meetings on the institutional framework continued and, on the other, the discussions on the free movement of goods were started.

In the meantime, with **Decision no. 3 of 27 July 2015**, the **Government confirmed and supplemented the composition of the Technical Group** supporting the process of further European integration, already established by Decision of 29 April 2014, in view of adjusting the legislation on the subjects to be covered by the future Association Agreement.

A **first meeting for the analysis of the European legislation on the free movement of goods** was held on **22 and 23 September 2015** in **Brussels**; on this occasion, the representatives of the competent EU Services illustrated the principles, objectives and scope of the provisions governing the free movement of goods in the EU and the most relevant legislation (Directives and Regulations) of the specific EU acquis in this field, which will appear in the legal basis for the application of the future Agreement/s.

Two days of intense discussions and interventions were not enough to cover all subjects and it was therefore necessary to arrange a new meeting to finish the presentation works. The **delegations of Andorra, San Marino and Monaco went again to Brussels on 2 and 3 December 2015** to continue examining the subjects and main EU acts included in the relevant acquis on the free movement of goods.

On **23 October 2015**, the European External Action Service discussed with the delegations of the three countries participating in the meeting the working document on the **institutional framework** of the future Agreement/s transmitted in the preceding month of July, in order to examine it in more detail and discuss its aspects considered less clear. On this occasion, the delegation of San Marino submitted its observations, on the basis of a text agreed beforehand with the Government and with the majority forces; the delegation properly motivated and explained such observations, especially with regard to aspects particularly relevant to a small State and its specific institutional, social and economic features. The Commission, whose relevant internal departments will soon be required to

report thereon, committed to considering such observations and, where possible, to including them into a future working document.

**At the end of October 2015, the negotiations with the European Union on the Amending Protocol to the 2004 Agreement on the taxation of savings income were finalised.** Said Protocol incorporates the Global Standard for Automatic Exchange of Financial Account Information adopted by the OECD and its title, pursuant to Article 1, is “Agreement between the European Union and the Republic of San Marino on the automatic exchange of financial account information to improve international tax compliance”. The Agreement was **signed in Brussels on 8 December 2015** and, in accordance with the relevant provisions of the Agreement, **it entered into force provisionally on 1 January 2016**, pending the completion of relevant procedures by the EU, as San Marino already ratified the Agreement on 22 January 2016. On this basis, the withholding tax is no longer applied.

The Agreement **contains a Joint Declaration between the EU and San Marino**, stating that “the European Union recognises the active role played by the Republic of San Marino in the international process for transparency and tax cooperation among countries” and the commitment to full convergence with international OECD, Moneyval and IMF standards.

In order to support this process, the European Union takes note of San Marino’s intention to achieve “an effective integration of its financial and banking system within the EU market, in compliance with the obligations deriving from the 2012 Monetary Agreement” and the Contracting Parties establish that, in the context of greater integration of San Marino with the European Union, “Integration-related issues will be further addressed in the context of the Association Agreement with the European Union, the negotiation of which was officially opened on 18 March 2015”.

As specified by **Minister Pasquale Valentini** in his **speech in Parliament on 18 January 2016**, the Commission has not yet defined the precise scheduling for 2016 negotiation meetings; however, he anticipated that the examination concerning the free movement of goods could be concluded by the Summer of 2016, but it is not yet known exactly which fundamental freedom will be addressed next.

Meanwhile, to further optimise the examination of the dossiers so far addressed, the Commission proposed to the three countries to concentrate the meetings in a single week.

**Next negotiation round will be held in Brussels from 1 to 5 February 2016.**

As regards the **free movement of goods**, the Commission intends, at a multilateral level, to continue the examination of goods in the areas not addressed in the first two meetings (held in September and December), taking into account the observations previously submitted by the delegations of the three countries, together with a first examination of other relevant EU provisions considered necessary to the proper functioning of the single market for goods.

On this occasion, the Commission also intends to organise specific bilateral meetings with each delegation (Monaco, Andorra and San Marino) present in Brussels in those days, also in order to receive a first feedback on the subjects and EU acts included in the examination carried during the meeting in September 2015.

As regards the **institutional framework**, in order to develop a single text for the three States, the Commission undertook to submit an updated working document, which will be discussed again with the delegations of the three countries.

Another point to be addressed in the negotiations concerns the verification of all **bilateral agreements** in force between San Marino and the countries of the European Union, first and foremost Italy, in terms of importance and number of agreements, considering that the future Association Agreement/s will supersede bilateral agreements with respect to the subjects included in the relevant legal basis of the Agreement.

In his speech in Parliament on 18 January 2016 the Minister for Foreign Affairs, Mr. Pasquale Valentini, stated that, at the beginning of the year, the European Commission had not yet defined the precise scheduling for **2016 negotiations**, although the examination of the principle of free movement of goods had been envisaged by Summer 2016. Another issue to be addressed in negotiations is to examine all bilateral agreements in force between San Marino and the EU countries, especially Italy, given the importance and the number of agreements concluded with it, because the future Association Agreement/s will prevail over any other bilateral agreement on the same issues regulated by the relevant legal basis of the Association Agreement. To further optimise the examination of the dossiers so far addressed, the Commission proposed to the three countries to concentrate their efforts in a single week of negotiations in Brussels, **from 1 to 5 February 2016.**

As regards the free movement of goods, on that occasion the Commission continued multilaterally the examination of the sectors of goods not discussed in the first two meetings (held in September and December 2015), taking into account the observations previously submitted by the delegations of the three countries. Moreover the Commission conducted an initial examination of other relevant EU provisions, which are considered as necessary to the proper functioning of the single market for goods (including competition policy, intellectual property, veterinary policy etc.).

Bilateral meetings were also held with each delegation (Monaco, Andorra and San Marino) present in Brussels in those days, also in order to receive a first feedback on the matters and EU acts examined during the meeting held in September 2015.

As for the institutional framework, the Commission, after sending to the three delegations a single text on the institutional framework bringing together the proposals made by three delegations, suggested to discuss the new proposal article by article. The three delegations made their comments, which were then analysed by the EEAS and the legal service, in order to be discussed in the subsequent meetings.

At the **end of February 2016**, **Mr. Thomas Mayr-Harting, Managing Director for Europe and Central Asia in the EEAS**, and **Mr. Claude Maerten, Head of Division** - responsible for organising and chairing the negotiations with San Marino, Andorra and Monaco - visited **San Marino** for a full-day meeting. During the political talks, it was confirmed that the next principle to be dealt with, at the end of the examination of goods, shall be the free movement of services.

A delegation from San Marino, led by the Minister for Foreign Affairs, paid an **official visit to Andorra from 24 to 27 February 2016**. The Foreign Minister was received by the Head of Government, Mr. Antoni Martí, and by the Minister for Foreign Affairs, Mr. Gilbert Saboya Sunyé. The visit was an occasion to reaffirm the excellent relations and underline the intense collaboration between the two countries in their process of closer integration with the EU. The technical delegation accompanying the Minister addressed some aspects of common interest relating to the negotiations in progress.

The delegations of Andorra, San Marino and Monaco met again **in Brussels from 15 to 17 March 2016**, to discuss about the institutional framework and to further debate the free movement of goods.



As for the institutional framework, the examination of the new text was not concluded, due to some issues raised in the debate, and was postponed to the next meeting. With regard to the in-depth analysis of goods, bilateral meetings between each delegation and the competent EU services were held, in order to examine the issues relating to the implementation of the customs section of their respective agreements in force with the European Union, in order to identify the main overlaps with the Association Agreement.

On **18 March 2016**, exactly one year after the negotiation with the competent EU services were started, **TG Europe** was launched, a weekly information programme produced by San Marino RTV, State broadcaster, containing in-depth news on the ongoing negotiations with the European Union and interviews with San Marino and international political and institutional representatives. The new weekly information programme of the State broadcaster is transmitted every Friday late-evening. Episodes can be downloaded at the following address (<http://www.smtvsanmarino.sm/programmi/intrattenimento/tg-europa>).

On **4 April 2016**, the **Minister for Foreign Affairs met the High Representative of the Union for Foreign Affairs and Security Policy, Mrs. Federica Mogherini**, for an update on the integration process with the European Union undertaken by the Republic of San Marino and to highlight the strategic points needing special approaches and an effective implementation. The meeting also allowed to clarify the nature of the future Agreement, whose target is to grant each associated country the possibility to be deemed to be equivalent to Member States in matters covered by the Agreement. The European counterpart said it stands ready to evaluate possible economic, educational and technical support.

During the negotiating meeting held in **Brussels from 25 to 28 April 2016**, the European External Action Service of the European Union submitted to the three participating delegations a first substantial list containing most of the provisions related to the Community *acquis* on the free movement of goods, which shall be transposed into the legal system of the three States.

The list shall first be evaluated by the three countries, in order to prepare a national assessment about the relevant EU acts already adopted by the States and those yet to be transposed into their national legal system. The outcome of this assessment shall be submitted to the EEAS, within a time line still to be defined.

With regard to the institutional framework of the Association Agreement, a comprehensive analysis of the text initially proposed by the EEAS and supplemented by the observations submitted in the last months by the three countries was carried out, in the presence of the competent services of the European Commission (EC). The debate gave rise to a number of issues, on which the positions of the parties still remain far apart; with regard to this, a common approach will be sought. With regard to other widely shared themes, the delegations of the three countries had an informal meeting between them to find an agreement for the protection of mutual interests, in particular relating to the inclusion in the Agreement of any national safeguard clauses.

Subsequently, during another **negotiating meeting held in Brussels from 6 to 8 June 2016**, more in-depth discussions were held both multilaterally and bilaterally.

At a multilateral level, during the meetings the delegations discussed EU trade policy and its impact as part of the association process of the three small States, the procedures for incorporating EU internal market law in EEA-EFTA countries, as well as some implications related to the free movement of goods. The discussions concerning the institutional aspects of the Association Agreement were also carried on.

The meetings subsequently continued at a bilateral level in order to discuss the most appropriate method and procedures for the transposition of the relevant EU *acquis*, ensuring its legal certainty and considering the list of specific EU legislation on the free movement of goods and the particular needs of the three countries in this regard.

During **the following negotiating meeting, held in Brussels from 20 to 23 September**, the discussions continued with regard to:

a) the institutional framework of the agreement); b) the free movement of goods; c) the methodology for the correct transposition of the EU *acquis*, starting from the methodological note received by the three small States.

Except for the first topic, in which all delegations were involved, discussions on the other two themes were held both multilaterally and bilaterally.

Regarding the first issue, the debate enabled a further consolidation of the text, in the context of which the preamble was included and discussed, although some aspects have not yet been duly considered by all parties involved.

With respect to the second issue, the EEAS submitted arguments in support of the proposal, which also includes, besides a part common to the three small countries, their respective customs union agreements. The three delegations submitted comments and requests for clarification in this regard.

Finally, in order to homogenise the interventions for an adequate adoption of the relevant EU *acquis*, the EEAS specified its methodological proposal, with respect to which the three countries raised concerns and expressed their opinions, also considering the work done within their administrations, with the aim of adopting an effective alignment tool.

On the occasion of the **investiture ceremony of the newly elected Captains Regent on 1 October 2016**, **Antoni Martí Petit**, Head of Government of the Principality of Andorra, delivered, as **Official Speaker**, a speech before Their Excellencies the Captains Regent of the State of San Marino. Also **Gilbert Saboya Sunyé**, Minister of Foreign Affairs of the Principality of Andorra, participated in the ceremony.

In his speech, Martí highlighted the way in which the tradition of peace, neutrality and institutional stability of San Marino and Andorra can become a political factor of strategic importance to tackle the challenge posed by the process of greater European integration. Indeed, in his opinion, it is not just a matter of evolving and adapting to safeguard what we are [...] but also of defending what we can become, in the conviction that Europe is not a project of assimilation of diversities, but is instead a political space where the small States of Europe can offer their effective contribution, starting from the progress made in the negotiations with the competent EU Services for the conclusion of one or more association agreements. The speeches delivered by the distinguished speakers at the ceremony on 1 October 2016, including the full Official Speech by Antoni Martí Petit, are available at the following address: <http://www.esteri.sm/on-line/home/news/articolo1010476.html>

After the Ceremony of Investiture, a meeting was held between the San Marino and the Andorran delegations in Palazzo Begni to discuss the common process undertaken within the European Union and to examine more in depth the respective negotiating positions.