



Interview ▶ We talk about the impact that Andorra's association agreement with the European Union

EL PERIÒDIC

Joaquim Llimona on the terrace of the Hotel Art in Andorra la Vella.



## Joaquim Llimona

Expert in the European Union

«If there is a rejection of the association agreement, it will be a political setback for Andorra and, for the EU, a failure»

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Joaquim Llimona Balcells is a lawyer and professor of European law. He has held positions of responsibility in the Generalitat de Catalunya and Barcelona City Council. He has always worked on international issues from the public side of Catalonia to improve relations with the neighbors of the Catalan territory. He has also worked on several projects with and for Andorra in cross-border projects.

**-What is the interest of the European Union in signing an association agreement with Andorra?**

-The association agreement with Andorra, Monaco and San Marino is of interest to the European Union (EU) because there are three states that are not very large, rather they are small, that are in Western Europe and that are the last three of this geographical area that remain to have a clear relationship framework with the EU. It is interested in closing the map of Western Europe and doing so with an agreement that allows these countries, and in particular Andorra, to be integrated into the internal market. But from the respect of the situation that

derives from the fact that 80,000 people live in Andorra and it has 468 km. square, approximately. It is a small state and there are things that must be applied to it taking into account this territorial, demographic and economic dimension. But (the EU) has a lot of interest in it and it is also interesting for Andorra; When the Andorran negotiator negotiates, he is aware that it is also an important agreement. It will not affect the global GDP of the European Union, it will have very little impact, but even so, it is relevant to close the map of relations in Western Europe.

**-What could be positive and negative for Andorra in an association agreement with the European Union?**

-I see the partnership agreement as an opportunity. First is the scenario that Andorra currently has. There are no other scenarios, the accession is ruled out by both sides. Andorra is not interested because of various reasons, but neither is the European Union interested in growing in the number of member states that barely contribute population. Then it is on the sidelines, and maintaining the status quo is not in the EU's interest either, and I don't think it is in Andorra's either. What does it mean for Andorra? The

opportunity to participate in the internal market. Andorra is a deeply attractive country fiscally and with legal security and in general, and the fact that it can be a base for non-European investments that want to work in the European Union in the field of services and industry, more so than the former, since it is not conceivable to build large factories here either. It can attract foreign investment interested in working in Europe, and doing it from a country that has a good approved tax situation, but there are also a number of aspects. In Andorra there are young people, people who do research, who care about the environment, who innovate with renewable energy, small and medium-sized companies that can participate in European programs. As a negative, I don't know how to see things. It is an important agreement and as such faces challenges. It is something that Andorra is used to doing, it will have to work, the companies, the economy... But it has already done it many times. A series of rules will have to be implemented, there will be some adjustments that have to be completed with the issue of workers, for example. I am not too worried from the outside either, Andorra has 50% of the population that lives and works



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in the country that is not Andorran, there is no country in the EU that has that. And the vast majority are European citizens, I think the order is Spanish, Portuguese and French. I think that the agreement is an opportunity for Andorra, and that what has been negotiated so far has been negotiated and concluded on good terms. Tobacco, for example, with a transitional period of 30 years, which allows the sector not to adapt quickly, but to contemplate a very long horizon. The association agreement is the most important agreement that the European Union can sign because the accession agreement is not an agreement with the EU, it is an agreement between states. The European Union will sign the association agreement when it is signed. And, therefore, as a very relevant agreement, it means rolling up our sleeves and working in a series of areas on both sides.

**-Why is it so difficult to negotiate on Andorra Telecom and communications?**

-Andorra has a company that, in addition to having a commercial purpose, produces a public service that guarantees the universality (of this service). The country is more territorial than population, it is not a territory that is

a plain where you put an antenna in the middle and everyone receives (the signal). There are valleys and corners, and Andorra Telecom, with a very good service, guarantees that the signal reaches the whole territory. As the European Union allows companies that manage a service of public interest, to have certain «advantages». Andorra is negotiating this strongly, and I understand that the EU has a different starting position and I hope that the positions will move closer towards an agreement. More than a public company, what is more important is that it guarantees (the service). If I were a great telecommunications entrepreneur, I would put up an antenna that covers Les Escaldes and Andorra la Vella and little else, because this is where I make money. Andorra Telecom guarantees that the person who lives in a border of I don't know which valley, also receives a signal of correct quality. All this means that there is a vocation for public service. The European Union, in principle, does not want monopoly situations, but I think they must understand that the demographic dimension and the territorial and orographic complexity of Andorra must allow a certain situation of certain advantages to exist so that Andorra Telecom can continue to provide a quality public service.

**–How could it benefit and what would be the challenges with the association agreement of Andorran companies? In which sectors could it affect more and which less?**

–The three sectors where Andorra has the most recognized economic power are tourism, commerce and financial institutions, in no particular order of importance. The first effect that can occur when the agreement enters into force is that a service or product produced or made in Andorra can be exported to any EU country. There is the possibility of growth, also in collaboration with foreign investors from outside Europe, who see that Andorra

can be a platform for providing services or some very specific merchandise, and being able to sell and market it in the territory of the European Union. I think that Andorran companies have an opportunity to reach agreements with foreign companies in the field of services, for example. I think this can attract investors. I am aware that some companies and investors from Latin America are interested in Andorra as a platform to be able to carry out certain activities in areas such as, for example, business services.

**–Regarding the free movement of people, what exactly is the European Union interested in Andorra this specific area?**

– It is one of the fundamental freedoms of the internal market that is linked to the realization of an economic activity. This, in absolute terms, does not exist. I can't go to Finland and after three months live on public assistance, as a Spaniard (citizen of the European Union), I can't do that. I have to work or prove that I have the means to support myself, that is the core of the movement of people. Andorra has more than 50% of the workforce that is not Andorran, it is Spanish, Portuguese, French or other nationalities. The point being negotiated basically has to do with the concept of security which is more important. Andorra is not part of the Schengen area, it is not considered in the negotiations to be part of it and Andorra maintains a series of border crossing controls and measures for non-Andorran citizens that it is interested in maintaining. This must be harmonized with European regulations, but I believe that an agreement must also be reached here, taking into account the special characteristics of this country. Honestly, it has been my impression and my opinion for many years, and I maintain it, I do not think that the free movement of people has a significant impact on Andorra, because it is already a country where



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re there is a lot of foreign labor. There are specific points that must be negotiated, such as border controls and some other more specific issue.

**–Do you think it is viable for Andorra to have access to the liquidity of the European Central Bank (ECB)?**

–This is an issue that must still be negotiated. Since the monetary agreement was signed in 2011, Andorra has implemented in its legal system the rules that regulate the activity of the financial sector in the European Union. Therefore, legislative adaptation has already been done in the past. What's up now? Liberalize services and the right of establishment. That is to say, that Andorran companies, being from Andorra, can establish themselves as such in any EU country and that entities from outside can come. This is linked to the relations established with the ECB. This is a supervisor that is called systemic banks, those that are more important. If they enter into a crisis, that they do not impact the system as a whole, which is what they call the lender of last resort that provides liquidity. I am aware that this is being negotiated and I would prefer not to anticipate any scenario because it still must be negotiated. But I will say that the three banks here in Andorra, at the European level, are not systemic, but in the Andorran area they are. The retail banking sector is one of the sectors, within the EU, where there is less cross-border character. Citizens, not big companies, trust the entities of all life. This has meant that, in many cases, operations to try to enter the retail market have not ended up working. I don't think many banks came here to attract Andorran customers. It is a very small market, what is there is a financial sector that, as I have always said, is very well prepared, that knows how to do private and corporate banking and knows how to do it well. In addition, it has a more reasonable cost structure than the financial sector in Lu-

xembourg, for example.

**–Do you think that the European Union will respect the specificities of Andorra? To what degree? Where is the limit?**

–This is not only a desideratum, but is in the negotiating mandate. If we look at it and what it says in the draft agreement that has been agreed upon, we can say that the Council (of the European Union) delegates to the European Commission one or more association agreements whose main purpose is to guarantee the full participation of these countries in the internal market, taking into account their special characteristics. These are caused by their size, geographical, demographic, economic, etc. Regarding the electricity market, for example, there is a whole series of European regulations that will not apply to Andorra because they are designed for populations of half a million people. The Principality does not meet this condition. Many technical rules of the European Union do not make sense to apply in Andorra. If we take, for example, the case of Liechtenstein, we see that there is a series of European regulations that, although it applies to the European Economic Area, Liechtenstein is exempted from its application because it does not make sense or because of the size of the market, or because of a series of characteristics. And in many other areas there are many regulatory regulations that do not make sense (to apply). In matters such as public procurement, for example, it will be allowed to have a regime open to foreign companies, but the fact of taking into account certain advertising or international openness requirements, for example, does not have to be fulfilled. The EU negotiator is aware of these aspects. Because if an agreement is reached, there is a rejection and it does not enter into force, it will be a major political setback for Andorra, but for the EU it will be a failure. ≡

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