



Prospects for the European Union in 2006

*and retrospective of the UK's Presidency of
the EU, 1 July to 31 December 2005*

*Presented to Parliament
by the Secretary of State for Foreign and Commonwealth Affairs
by Command of Her Majesty
January 2006*



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**FOREWORD BY THE SECRETARY OF STATE FOR FOREIGN AND
COMMONWEALTH AFFAIRS, THE RIGHT HONOURABLE JACK STRAW MP**

January 2006

2005 was a dramatic and challenging year for the European Union, but one during which it benefited for six months from a professional and dedicated UK Presidency that achieved significant progress in a number of areas.

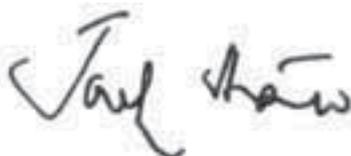
When the UK Presidency of the EU began on 1 July, the Union faced a crisis of confidence: the aftermath of the rejection of the Constitutional Treaty by the peoples of two founder Member States, the failure to agree a deal on the Union's future financial arrangements, the growing uncertainty about future enlargement, and the multiple economic and political challenges presented by globalisation. Then, shortly after the Presidency began, we were reminded of the continuing threats to our common security by the terrorist attacks in London on 7 July.

This was a difficult and demanding environment. But the UK led the response to these challenges vigorously and comprehensively, and helped the EU meet them effectively.

Among the high points were the opening of accession negotiations with Turkey on 3 October, a hugely important step for Turkey, for the Union, and for our relations with the Islamic world. The EU opened accession negotiations with Croatia and granted Macedonia candidate status. The Presidency brokered a deal on the EU's budget for 2007-2013 that will see a historic shift in spending towards the newer, poorer Member States and a UK contribution that is finally on a par with that of similar Member States like France and Italy. We took forward the debate on the future of Europe, notably with the special Summit of European leaders at Hampton Court, which has already become part of the EU's lexicon, and which has led to further detailed work on areas like research and development, a European energy policy, and the challenges of migration.

We worked to help boost Europe's competitiveness by pressing ahead, together with the Commission, on better regulation, and insisted that its principles be applied in EU legislation, for example in the agreement on the REACH Regulation on the European chemical industry. We secured an agreement that means the EU, the world's largest aid donor, has for the first time a common vision, objectives, values and principles for EU development work. And we made progress in the EU's Counter-Terrorism agenda, agreeing for example that, across Europe, phone and internet data will be stored for use in criminal and terrorist investigations - a perfect example of an area where European countries can achieve more working together than they could hope to alone.

Of course, these are just the high-profile issues. Countless other issues were tackled and resolved in the thousands of meetings chaired by the UK over the six-month period. Overall this represents a huge collective achievement, for the UK and of course for all Europe's Member States too. I hope this White Paper gives some sense of the depth and complexity of the business done.



JACK STRAW
SECRETARY OF STATE
FOR FOREIGN AND COMMONWEALTH AFFAIRS

SUMMARY

1. This White Paper is in two parts. The first part gives a summary of EU business over the second half of 2005, during which the UK held the Presidency of the EU. The second part covers all of 2006, and looks forward to the work we expect the EU to do this year on behalf of the UK and the rest of the Union.

UK Presidency

2. The UK Presidency saw a number of landmark agreements for the EU. The EU made the historic decision to open accession negotiations with **Turkey** and **Croatia**, and granted Macedonia candidate status (paragraph 8). Member States reached a deal on the **EU budget** for 2007-2013 (paragraph 13), which included provision for a fundamental review of the budget in 2008. And the UK hosted an **Informal Summit of EU Heads of State and Government** at Hampton Court in October (paragraph 4) that led to work on research and development, universities, demographics, energy, security and immigration, and the Common Foreign and Security Policy.
3. The UK also worked closely with the Commission and the European Parliament to advance the EU's **better regulation** agenda to improve EU legislation (paragraph 22). Member States signed up to a historic, liberalising reform of the EU's **sugar** regime (paragraph 37). And we successfully achieved political agreement on the EU's new **chemicals** Regulation, REACH (Registration, Evaluation and Authorisation of Chemicals – paragraph 46).
4. EU Heads endorsed in December a new **Counter-Terrorism strategy** and a Directive on the Retention of Communications Data, which will improve the ability of law enforcement agencies to combat terrorism and organised crime (paragraph 54).
5. And finally, the EU continued to work to further develop relations with the rest of the world. In particular, improvements were made in the quantity and quality of **development aid** (paragraph 61), and an **EU-Africa Strategy** was agreed (paragraph 64).

Prospects for 2006

6. But there remains a great deal of work to be done in 2006. Austria will hold the Presidency of the EU in the first half of the year, to be followed by Finland in the second half.
7. We expect, for example, further discussion on the **future of Europe**, including the Constitutional Treaty. **Enlargement** will also continue to play a role in the EU's external agenda, as negotiations proceed with Turkey and Croatia (paragraph 101).
8. Member States will work further on the **economic reform** agenda to boost jobs and growth (paragraph 106), and will consider a report from a high-level group, established after the Summit at Hampton Court, on improving **R&D** (paragraph 107).
9. Both Presidencies in 2006 are committed to maintaining the momentum behind the drive for **better regulation** (paragraph 108). And discussion will continue on the **Services Directive** to open up the trade in services across the EU (paragraph 111).

10. The Government will work closely with the Austrian Presidency to look for a European solution to the **Working Time Directive** (paragraph 114), and the EU will take forward work on making **universities** more competitive, in line with the discussions at Hampton Court (paragraph 121).
11. The Austrian Presidency will look for agreement at the June European Council on the Commission's proposals for the review of the EU's **Sustainable Development Strategy** (paragraph 133).
12. The EU will submit to the UN in the spring its views on the discussion of future commitments under the Kyoto Protocol and the wider UN dialogue on long-term co-operation, and will follow up initiatives on **climate change** with the major players worldwide (paragraph 137).
13. Further work will be done on **European energy issues**, including on diversifying the sources of our energy (paragraph 143).
14. The EU will begin implementation of the EU **Counter-Terrorism** Strategy agreed under the UK Presidency (paragraph 145), and will seek to increase the profile of justice and home affairs issues in the EU's external relations - in particular how to work with countries to better manage **migration** (paragraph 147) and support efforts to tackle organised crime and corruption.
15. The Austrian Presidency will take forward the main elements of the **“Consensus for Development”** agreed under the UK Presidency (paragraph 156), and will look to implement the comprehensive strategy for **Africa** agreed at the December European Council (paragraph 159).
16. Negotiations will begin on a new **EU-China** framework agreement (paragraph 171). The EU will continue to play a constructive role in the **Middle East Peace Process** (paragraph 174).
17. Further progress will be made on the **Common Foreign and Security Policy** (paragraph 180) and the **European Security and Defence Policy** (paragraph 181), as agreed at the Informal Summit at Hampton Court. And work will continue on the **Doha Round** following the Hong Kong WTO Ministerial Conference, aiming for a more detailed and ambitious agreement by April 2006 (paragraph 184).

PART ONE: THE UK PRESIDENCY, 1 JULY – 31 DECEMBER 2005

1. The UK held the Presidency of the EU from 1 July to 31 December 2005. The Presidency's responsibility is to make progress on the EU's shared agenda, and to conduct the EU's business, including chairing the meetings of Member States, and representing those Member States in discussions with other EU institutions and third parties.
2. The UK's Presidency priorities were set out in the White Paper of June last year (Cmnd 6611). During the Presidency, the UK:

Security and stability

- opened accession negotiations with **Turkey and Croatia** and Stabilisation and Association Agreement negotiations with **Bosnia and Herzegovina** and **Serbia and Montenegro**. The December European Council also granted candidate status to Macedonia (see paragraphs 8 to 12);
- gave priority to collective EU action on **Counter-Terrorism**. The December European Council endorsed a new EU Counter-Terrorism strategy. In December, agreement was reached on the Data Retention Directive, which ensures a common basis for storing phone and internet data for use in criminal and terrorist investigations. A strategy to prevent the recruitment and radicalisation of terrorists was also agreed (see paragraphs 53 and 54);
- agreed a series of measures to combat **illegal immigration and better manage migration flows**, by working more closely with countries from and through which illegal immigrants pass, particularly in Africa (see paragraph 55);
- oversaw the launch of **European Security and Defence Policy missions**, including to monitor the Rafah border crossing between the Gaza Strip and Egypt (25 November) and a monitoring mission in Aceh, Indonesia in August (see paragraph 87);

Future Financing of the Union and the Future of Europe

- brokered a deal on the next **EU budget** from 2007 to 2013 that: is significantly lower than the Commission originally proposed; provides for an historic transfer of spending from the EU 15 to the new Member States; preserves the UK abatement in full on the Common Agricultural Policy and all spending in the EU15 (see paragraph 13);
- led a **fundamental debate over the future direction of Europe**, including the Hampton Court Summit on 27 October with agreement on new work to meet the challenges of globalisation in the areas of R&D, universities, demographics, energy, security and immigration, and the Common Foreign and Security Policy (see paragraph 4);

Economic reform and social justice

- made significant progress on **improving the way the EU regulates**, including: improved impact assessment and screening of proposals for their effects on the EU's competitiveness, leading to better

quality legislation and the withdrawal of 68 pending laws; a Commission commitment to simplify over 220 pieces of legislation affecting 1,400 legal acts; and agreement in the Council on a common method for measuring the costs of regulation to business (see paragraphs 22 to 24);

- achieved political agreement on the EU's new **chemicals regulation**, REACH (Registration, Evaluation and Authorisation of Chemicals), that will protect human health and the environment while safeguarding the competitiveness of European industry (see paragraph 46);
- brokered a deal on **sugar reform**. The reforms will reduce the trade-distorting elements of the regime and save EU consumers between €3.5bn and €4bn a year from 2010 (see paragraph 37);
- made progress on the **Services Directive**, both in agreeing the most important areas for future work with a view to eventually agreeing the Directive, and continuing technical work (see paragraph 26);
- worked to adopt the remaining dossiers in the **Financial Services Action Plan**, notably reaching agreement at the October ECOFIN meeting on the Capital Requirements Directive, which helps European banks remain competitive internationally (see paragraph 25);
- drew up a joint action plan with the Austrians to take forward work on a revised EU **Sustainable Development Strategy**, to be agreed this year under the Austrian Presidency (see paragraph 43);
- agreed a comprehensive work programme for the economic co-operation agenda between the **EU and the US** at the first ever EU-US Economic Ministerial in Brussels in November, and ensured effective EU-US co-operation on a range of foreign policy issues (see paragraph 69);

Europe's role in the world

- worked to build on the progress made in the **Doha Round**, which seeks to place the concerns of developing countries at the heart of international trade negotiations. The WTO Ministerial Conference in Hong Kong in December achieved less than the Government would have hoped, but we welcome the agreement reached there, which provides the basis for a renewed effort for an ambitious deal in the first half of this year (see paragraph 91);
- improved the quantity and quality of **development aid**. Member States agreed for the first time a common vision, objectives, values and principles for EU development work. At the G8 and Millennium Review Summits, the EU presented a comprehensive development package, including targets to double EU aid to €66bn a year by 2010 and to achieve the UN target of 0.7% of GDP by 2015 (see paragraphs 61 to 63);
- agreed an **EU-Africa Strategy** which was adopted at the December European Council. The strategy will enhance the EU's support to Africa in achieving the Millennium Development Goals, and provide strategic direction to the EU's partnership with Africa (see paragraph 64);
- used the EU's leverage to move **climate change** up the political agenda with China, India, Russia and Canada. At the EU-China Summit in September the Government agreed to explore options for building a near-zero emissions coal plant in China. The UK Presidency led the EU delegation to the

UN Climate Change negotiations at Montreal, where the participants agreed to begin talks on long-term action to address climate change, and reached agreement on the inclusion of aviation into the EU Emissions Trading Scheme (see paragraph 50);

- held successful EU Summits with **Russia and Ukraine**. The EU-Russia Summit on 4 October reached agreements on visa facilitation and readmission and a €20m EU programme for the North Caucasus (see paragraph 71). And at the EU-Ukraine Summit on 1 December, Member States agreed to grant Ukraine Market Economy Status, which will improve Ukraine's trade links with the EU (see paragraph 72); and
- ensured that the EU played a major role in the **Middle East**, in particular to support the Middle East Peace Process. The Commission announced on 19 September a €280m package in 2005 to help build Palestinian infrastructure and revive the Palestinian economy (see paragraph 82).

INSTITUTIONAL ISSUES AND ENLARGEMENT

The debate on the Future of Europe and the EU Constitutional Treaty

3. The June 2005 European Council agreed to consider, in the first half of 2006, how to proceed in the light of the No votes in the referendums in May and June in France and the Netherlands on the **EU Constitutional Treaty**. The focus of the UK Presidency was therefore on taking forward a wider debate about the future direction of the EU.

4. As part of this debate, the UK hosted the **Informal Summit of Heads of State and Government at Hampton Court** on 27 October to set a clear direction for how Europe responds to the challenge of globalisation. At Hampton Court, there was broad agreement on the right direction for Europe's economic and social policy, as outlined in the European Commission's paper "*European values in the globalised world*"¹. The Summit agreed further work in the areas of R&D (paragraphs 18 and 107), universities (paragraphs 33 and 121), demographics (paragraphs 20 and 108), energy (paragraphs 52 and 143), security and immigration (paragraphs 55 and 147), and Common Foreign and Security Policy (paragraphs 86 and 180). At the December European Council, the President of the Commission and the High Representative for Common Foreign and Security Policy (see glossary) presented interim reports on follow-up. The final reports will issue under the Austrian Presidency in the first half of 2006.

5. The June 2005 European Council also agreed that there should be a period of reflection to enable a broad debate to take place in each Member State on the future of Europe. The UK and Austrian Presidencies compiled an interim report on these national debates, which was noted by the December European Council. The UK contribution to this interim report set out a range of activities undertaken during the UK Presidency, as well as plans for 2006 including a new website with information on the EU and future of Europe debate and work to engage key stakeholders.

6. A further part of this debate looked at the principle of **subsidiarity**. The UK Presidency and Dutch Government co-hosted the "Sharing Power in Europe" conference in The Hague in November to consider how to achieve the right balance between action at regional, national and EU levels, and how to strengthen the role of national parliaments in ensuring the implementation of subsidiarity. The Austrian Presidency will host a follow-up conference in April 2006.

¹ Available at: http://europa.eu.int/growthandjobs/pdf/COM2005_525_en.pdf

Enlargement

7. Enlargement was a central element of the EU's external policy during the UK Presidency.
8. In July, **Turkey** signed a protocol extending the Ankara (EU-Turkey Association) Agreement to the 10 new Member States. This was a key condition for opening negotiations. The EU then opened accession negotiations with Turkey on 3 October, having agreed the Commission's negotiating framework.
9. This is a development of historic significance. A stable and prosperous Turkey anchored in the EU would be a powerful demonstration that Islam, democracy and economic success are compatible. For Turkey, the accession process should strengthen the reform programme and provide renewed impetus for further improvements to the rule of law, respect for human rights and democratic institutions. For the EU, the opening of accession negotiations means that a vital partner will be brought even closer. For the region, Turkey's accession process should increase the prospects for stability in the Eastern Mediterranean.
10. The EU also opened accession negotiations with **Croatia** on 3 October, following confirmation by Chief Prosecutor Carla del Ponte that Croatia was cooperating fully with the International Criminal Tribunal for the former Yugoslavia. Fugitive indictee Ante Gotovina was subsequently arrested in Spain in early December.
11. In October, the Commission published reports on **Bulgaria** and **Romania's** preparations for membership, scheduled for January 2007. These showed that progress had been made, but that a number of areas of serious concern remained. As Presidency, the Government encouraged both countries to make urgent progress in the key areas identified by the Commission (including corruption, justice and home affairs and agriculture).
12. The countries of the Western Balkans also made good progress towards their goals of EU integration. All the countries of the region now have contractual relations with the EU. The December European Council granted **Macedonia** candidate status. The EU opened negotiations with both **Serbia and Montenegro** and **Bosnia and Herzegovina** on Stabilisation and Association Agreements. The November EU-Western Balkans Ministerial meeting on organised crime reviewed the Western Balkans countries' progress in this area and set targets for 2006 and beyond. The Hampton Court Summit focussed future work on more coherence in EU policies on organised crime in the Balkans. As Presidency the UK also brokered agreement on the appointment of a new EUSR/High Representative in Bosnia, Dr Christian Schwarz-Schilling, to succeed Lord Ashdown, who steps down at the end of January. We handed over command of the EU's flagship ESDP mission in Bosnia to Italy in December.

INTERNAL ISSUES

The Future Financial arrangements for the Union

13. In December, the European Council reached a deal on the **EU budget** (the Financial Perspective) for 2007 to 2013. The budget agreed is worth €862bn over the seven years, or 1.045% of the EU's GNI.
14. This is significantly lower than the €1,022bn which the Commission originally proposed. It also provides for a significant transfer of spending from the original 15 to the new Member States of central and eastern Europe, who will receive €174bn in Structural and Cohesion Funding over the period.
15. The agreement maintained the UK abatement in full on all expenditure in the older 15 Member States and on all Common Agricultural Policy (CAP) market expenditure everywhere in the Union, including in the new Member States. The UK agreed to meet its fair share of the costs of enlargement by gradually disapplying the abatement on Structural and Cohesion Fund spending in the new Member States. The cost of this will be up to a maximum of €10.5bn, or about £7bn, over the seven years of the financing period. The value of the abatement will nevertheless rise over the period to an average of €5.8bn. This will mean that the UK, for the first time since it joined the EU, will be paying broadly the same, as a percentage of Gross National Income, as France.
16. The agreement also made clear that all aspects of the EU budget – including the CAP and the abatement – should be examined in 2008-2009, allowing the EU to reform the budget at that point, if all Member States agree.

Structural and Cohesion Funds

17. The UK Presidency made good progress towards agreement on the proposed new Regulation to govern the spending of Structural and Cohesion Funding (SCF) over 2007 to 2013, with new draft texts issued at the end of the Presidency. Good progress was also made on the Community Strategic Guidelines that set the strategic focus for SCF spending. The UK Presidency put forward new proposals for strategic reporting on SCF spending, that would see Member States report both on the contribution made to the Lisbon process of economic reform (see below) and on regional policy more generally.

Economic Reform and Social Justice

18. As agreed at the 2005 Spring European Council, Member States produced their **Lisbon National Reform Programmes (NRPs)**, which set out national reforms aimed at securing progress towards the revised Lisbon objectives of growth and employment. The UK's National Reform Programme is publicly available². ECOFIN Ministers on 6 December set out the reform priorities needed to maximise the benefits of globalisation. They reviewed the National Reform Programmes against these priorities, welcoming the planned reforms but emphasising the importance of implementation. The European Council in December recalled these conclusions in stressing the importance of NRPs, and called on Member States, the Commission and the Council to continue monitoring their implementation.

² Available at: http://www.hm-treasury.gov.uk/media/E60/3D/lisbon_jobs131005.pdf

19. In the area of **R&D**, Ministers agreed all but the budgetary aspects of the 2007-2013 Framework Programme (FP7), the EU's main financing tool for R&D. EU Heads endorsed at Hampton Court the proposal for a European Research Council and agreed at the European Council that EU funding for research should be increased so that by 2013 the resources available will be around 75% higher in real terms than in 2006. At Hampton Court, business investment in R&D was identified as one of the priority areas for Europe if it was to respond to the challenges of globalisation. As a result, a high-level Expert Group, led by Esko Aho (the former Finnish Prime Minister), has been asked by the Commission to set out priorities for urgent action in areas such as the venture capital market, the role of public funding in promoting public-private partnerships, the role of public procurement as a driver of investment and innovation, and optimal exploitation of global knowledge networks.
20. At Hampton Court, EU Heads agreed on the need to confront **the demographic challenge** to boost the effectiveness and competitiveness of the European economy. The Commission's Green Paper on "*Confronting Demographic Change: a new solidarity between the generations*" was the basis for a discussion at the Employment, Social Policy, Health and Consumers Affairs Council of 8-9 December. The Presidency tabled a note with questions on possible national initiatives aimed to increase the overall employment rate for people of working age and to maximise the employment opportunities for young people, older workers and other disadvantaged groups.
21. Ministers agreed at the Telecoms Council on 1 December specific actions to take forward the European Commission's new **i2010 Strategy**, which aims to ensure that information communication technologies contribute to economic growth and productivity.
22. The UK Presidency worked closely with the Commission and the European Parliament to advance the EU's **Better Regulation** agenda to improve EU legislation in support of the Lisbon agenda for jobs and growth.
23. Progress was made in two areas in particular. First, the policy-making process was significantly improved, through new arrangements for better assessment of the impact of new regulatory proposals by the Commission, including thorough stakeholder consultation; full consideration of the impacts on business competitiveness, and effective measurement of the administrative burdens. The practical results are already visible, both in particular dossiers (for example, REACH), and in increased interest in regulatory issues from the Member States and business. In September, the Government hosted a conference in Edinburgh, which brought together EU business and policy-makers to discuss how European regulation might better support competitive and dynamic EU markets. In October, EU Environment Ministers discussed how better regulation could contribute towards better environmental policy outcomes. And in November and December, Energy and Telecoms Ministers debated better regulation in the context of liberalisation in the electricity, gas and telecoms markets; Finance Ministers welcomed Commission proposals for a methodology for assessing the administrative costs of new regulation and called for the Commission to establish measurable targets for reducing burdens on business; and Agriculture Ministers considered the Commission's proposals for simplifying the CAP.
24. Second, the EU launched a three-year programme to reduce the volume and burden of EU legislation through simplification and withdrawal. The Commission announced it would withdraw a third of all pending proposals adopted before 1 January 2004, and committed itself to repeal, codify, recast or

modify 1,400 related legal acts over the next three years. The Commission also embarked on a review of the eight main consumer protection Directives (the consumer ‘acquis’), to examine the extent to which these rules enhance consumer and business confidence in the internal market through a high level of consumer protection, the elimination of internal market barriers and regulatory simplification.

25. Better Regulation, increasing competitiveness and how to successfully respond to the challenges of globalisation have also been dominant and successful themes of the **Financial Services** agenda. Following the constructive conclusions from the Commission’s Green Paper, a White Paper was presented to Ministers at the November ECOFIN. Agreement was reached on the Capital Adequacy Directive, which ensures the coherent application throughout the EU of new rules on the financial resources that banks and investment firms must set aside to cover their risks and protect depositors. The 3rd Money Laundering Directive, which will strengthen the pan-EU framework to help fight against money laundering and terrorist financing, was formally adopted. And on 2 December, the EU and US agreed the importance of deepening the financial services regulatory dialogue, vital in the context of global markets.

26. Progress was made in the continued negotiations on the **Services Directive**, which will open up trade in services across the EU, in technical discussions and in Council. Delay in the European Parliament’s First Reading, now scheduled for February, made it impossible to move forward formally during the Presidency. But Ministers agreed, at the Competitiveness Council in November, the main areas which would need to be settled before agreement could be reached – namely, the scope of the Directive (which sectors are covered); its potential effect on Labour Law (interaction with existing legislation); and the so-called ‘Country-of-Origin’ principle (designed to facilitate the provision of services across borders). This will facilitate the work of the Austrian Presidency.

27. Good progress was made on the **Working Time Directive**, which sets the arrangements for working hours across the EU, in technical and Council discussions. At the 8 December Employment Council, Member States came close to reaching political agreement on a UK Presidency proposal that included the continuation of the opt-out. However, Member States were divided on the issue of whether the limits in the Directive should apply per worker or per job.

28. Discussions continued on the modernisation of the **VAT system**, including on proposals to amend the rules on place of supply of services, and on VAT reduced rates (which will determine how and on what products Member States can lower the VAT paid by their citizens).

29. The ECOFIN Council continued, during the UK Presidency, to implement the **Stability and Growth Pact** (the EU’s fiscal framework), in a way consistent with the reforms to the Pact agreed by ECOFIN and endorsed by the European Council earlier in 2005.

30. Following negotiations with the European Parliament, Member States reached political agreement on a common position at the Employment, Social Policy, Health and Consumer Affairs Council on 8 December on the Gender ‘Recast’ Directive, which simplifies and consolidates existing gender equality and equal treatment legislation. The European Parliament’s Women’s Rights and Gender Equality Committee will recommend to the Plenary that no further amendments should be made.

Transport

31. In December, Transport Ministers reached agreement at the Transport Council on the **third rail package**, which included: agreement on market access for international rail passenger services, strengthened rights for international rail passengers, and the creation of a European train driver licence for drivers operating across national borders. Ministers adopted safeguards at the October Transport Council, which were subsequently agreed without substantive amendment by the European Parliament, to provide **rights for aviation passengers of reduced mobility**, and accepted a voluntary agreement to work with the shipping industry to **promote careers in the maritime sector** at sea and on shore, a non-regulatory alternative to legislation to benefit the shipping industry.
32. The UK Presidency reached agreement with the **European Parliament** to allow for formal adoption during the Austrian Presidency of four pieces of transport legislation: the Eurovignette Directive, that updates the rules for charging lorries for the use of roads; a Regulation updating rules on the hours HGV and coach drivers may spend at the wheel, and an associated Directive requiring specified levels of compliance checks for these rules; and the Aviation Safety Directive, that sees the publication of an EU list of banned airlines and gives passengers the right to know their air carrier in advance. In negotiations between the EU and the US on an **aviation agreement**, significant progress was made during the UK Presidency in a number of areas that had previously been difficult to resolve, including safety, security, competition and the environment, so raising prospects of a balanced deal.

Education

33. During the Education and Youth Council in November, all but the budgetary aspects of the **EU Integrated Lifelong Learning Programme 2007–2013** and **Youth in Action programme for 2007-2013** were agreed. A resolution on implementing the **European Pact for Youth** was also agreed.
34. Other discussions during the Presidency focused on how education and skills can improve productivity and competitiveness. EU Education Ministers agreed on the role of the **development of skills and competencies** in taking forward work on economic reform. The Commission was asked to look at the sectoral approaches to skills development, while Member States and the Commission together will address skills issues as part of the **“Education and Training 2010”** Work Programme and the 2006 Joint Interim Report to be published under the Austrian Presidency. Education Ministers adopted a resolution to enable higher education to make a fuller contribution to EU economic reform, following the discussion at Hampton Court. For example, we expect activities to encourage Member States to share good practice and developments in the field of higher education reform to support their own efforts.

Health

35. The Presidency worked closely with the Commission, other Member States and the European Centre for Disease Prevention and Control to prepare for a possible **pandemic outbreak of avian or human influenza**, most notably through setting up a Presidency Group to co-ordinate action in different policy spheres. Health Ministers met in October and set out the distinction between avian flu, seasonal flu and the risk of pandemic flu. Foreign Ministers also discussed avian flu on two occasions (see also paragraph 41). Work to tackle health inequalities and improve patient safety has been set in hand, reflecting our headline Presidency health themes.

36. Political agreement was also reached on the Regulation governing paediatric medicines. Agreement was reached on an amended directive on sweeteners and other food additives and this will be formally adopted during Austria's Presidency. The amendment will extend and update the list of permitted additives and sweeteners.

Agriculture and Fisheries

37. Under the UK Presidency, the Agriculture Council agreed in November the first major reform of the EU **sugar** regime for 40 years. EU sugar prices will be cut by 36% over four years while a voluntary restructuring scheme aims to reduce production by around 6 million tonnes in the same period. The reform agreement marks a major step change in the operation of the EU sugar regime, introducing more competition and market focus and producing significant wider economic benefits. It brings sugar into line with other already reformed CAP sectors. The Council and the European Parliament also agreed in parallel transitional assistance of €40m in 2006 for the African, Caribbean and Pacific (ACP) countries affected by the reform.

38. The November Agriculture Council reached a general approach on an EU strategy for **rural development**, which sets the priorities for rural development spending, and within which each Member State must now present a national strategy. Progress was also made in reform of the regimes covering hops, seeds, and outermost regions. Negotiations between the EU and the US on the wine trade were completed, as were those between the EU and Thailand on the EU import regime for rice.
39. Also in late November agreement was reached on a Commission proposal for a tariff of €176 per tonne for **bananas** imported from Most Favoured Nations and a duty free quota of 775,000 tonnes for bananas imported from African, Caribbean and Pacific (ACP) countries.
40. In the **fisheries** sector, the Presidency helped contribute to the sustainability of fish stocks. At the December Fisheries Council, total allowable catches and fishing quotas based on scientific advice, including technical conservation measures, were agreed both in the Baltic Sea and elsewhere where EU vessels are active. Recovery plans were agreed for sole stocks in the Bay of Biscay and for hake and nephrops in the Cantabrian Sea and Western Iberian peninsula. A ban on bottom trawling in the Azores, Madeira and the Canary Islands was also agreed. The Commission published an Action Plan on simplification of the Common Fisheries Policy.

Animal Health & Welfare

41. The UK Presidency successfully reached agreement on a new Directive updating Community controls on **Avian Influenza**. On 20 December, Agriculture Ministers adopted a new Directive which introduces new measures for controlling High Pathogenic Avian Influenza and, for the first time, controls and provides for surveillance for Low Pathogenic Avian Influenza.

Sustainable Development and the Environment

42. The UK, as Presidency, presented most of the EU's positions to the **UN World Summit** in September 2005, which reaffirmed the international community's commitment to achieve the goal of sustainable development, including through the implementation of: the commitments made at the World Summit

on Sustainable Development in Johannesburg in 2002, the Monterrey Consensus of the same year, and the Millennium Development Goals.

43. The European Commission released in December its delayed proposals for the review of the EU's **Sustainable Development Strategy**. The review aims to bring together the EU's sustainable development priorities in a clear, coherent strategy that can be communicated simply and effectively to its citizens. Due to the delay to the publication of the European Commission's proposals, the UK Presidency was not able to take work forward as planned. However, the UK agreed a broad approach with the Austrian Presidency on the way forward.

44. At the EU-China Summit on 5 September, the EU and China agreed to work together to tackle the problem of **illegal logging** in the Asian region. On 21 December 2005, EU Agriculture Ministers adopted the **EU Forest Law Enforcement Governance and Trade** regulation.

45. Delays in Commission proposals for new **air quality legislation** made reaching political agreement (as had been hoped) impossible. However, both the Transport and Environment Councils held debates on the air quality package that will help structure the negotiations under the Austrian Presidency.

46. The UK Presidency successfully achieved political agreement on the EU's new chemicals Regulation, **REACH** (Registration, Evaluation and Authorisation of Chemicals) in December. The package will now be discussed by the European Parliament, but it is hoped that the final adoption will take place in late 2006. The agreed package was in line with the UK's approach to better EU regulation by balancing the proper protection of citizens and the environment with the need to safeguard the competitiveness of industry. REACH will help provide detailed information on some 30,000 substances used in the EU, while strengthening the controls covering the substances of most concern. At the same time, the changes during the UK Presidency will significantly reduce the burden on Small and Medium-sized Enterprises and will reduce the number of animal tests carried out.

47. The UK Presidency secured agreement between the Council and the European Parliament on the Directive Concerning the Quality of Bathing Water, which aims to update and simplify existing Community legislation designed to protect public health at popular bathing sites by setting microbiological quality standards. The UK Presidency also helped reach agreement with the European Parliament on waste shipments and waste from the extractive industries such as mines and quarries.

48. In December, the Deputy Prime Minister hosted an Informal meeting of EU Urban Ministers on **Sustainable Communities**. The aim was to discuss and agree the benefits of creating sustainable communities across Europe. EU Ministers signed up to the "Bristol Accord" - an agreement to eight characteristics of a sustainable community and a commitment to share good practice case studies. Specific agreement was given to setting up two working groups: one to consider an enhanced role for European Investment Bank (EIB) loan finance in developing sustainable communities; the other to foster generic "place making" skills across Europe. The Informal was also used by the European Commissioner for Regional Policy to launch a paper on cities and cohesion policy.

Climate change

49. The UK Presidency led negotiations on behalf of the EU at the successful **UN Climate Change Conference in Montreal**. This delivered our objective of reinvigorating the international climate change negotiations by agreeing to start consideration of commitments beyond 2012 for developed country signatories of the Kyoto Protocol (which sets national and regional targets to reduce greenhouse gas emissions up to 2012), and launching a dialogue on long-term co-operation to tackle climate change between all countries under the UN Framework Convention on Climate Change. Other EU objectives were also fully met, including adopting the Kyoto Protocol's rule book and strengthening the flexible mechanisms established under the Protocol (the Clean Development Mechanism and Joint Implementation).

50. The UK used the Presidency to promote further high level attention and deepen co-operation on climate change by putting this on the agenda of **EU Summits with China, India, Russia and Canada** (see below). Within the EU, the UK drove forward action on **tackling the climate change impacts of air travel**. In December, the European Council recognised that the inclusion of the aviation sector in the EU Emissions Trading Scheme seemed to be the best way forward, and welcomed the Commission's intention to bring forward a legislative proposal by the end of this year.

51. The UK Presidency helped ensure Climate Change was factored into a range of EU policy areas. Building on the European Commission's Green Paper (published in June), the Government promoted active discussion within the EU and internationally on action to achieve greater **energy efficiency** including hosting an international conference in London in November. In October, the Commission launched the second phase of the **EU Climate Change Programme**, which will review current policies and set the framework for EU climate change policy beyond 2012. In December the UK Presidency brokered a compromise agreement between the Council and European Parliament to secure adoption of the End Use Energy Efficiency and Energy Services Directive. The Directive, which will come into force early this year, sets out a range of requirements to deliver energy efficiency improvements across the EU Member States.

Energy security

52. Most Member States are now net importers of oil and gas and the UK became a net importer of gas in 2005. Member States therefore need to think further about how to ensure energy security at the European level. Our energy priorities for the Presidency were to drive forward open and competitive energy markets in Europe; to promote long-term security of supply; and to tackle climate change. At Hampton Court in October, EU Heads agreed to consider how the EU can work together on a European Energy Policy (see paragraph 143). Discussion on how to promote our energy security will be a key tenet of this, which the Commission will be taking forward through a Green Paper this year. The main areas of EU business that were taken forward during the UK Presidency to promote security of supply were in the field of EU-Third Country relations: the UK facilitated the conclusion and signature of the European Energy Community Treaty with the States of South East Europe, which has the effect of extending the energy acquis into the region and reconnects Greece to the main European market; we also took forward EU-OPEC dialogue and the EU-Russia Energy Dialogue. The dialogue with Russia on energy was taken forward via a Permanent Partnership Council on Energy and the EU-Russia Summit the following day.

Freedom, Security and Justice

Counter-Terrorism

53. Working with EU partners to combat terrorism was a priority for the UK Presidency even before the attacks in London on 7 July. The extraordinary meeting of Justice and Interior Ministers held shortly afterwards reiterated EU solidarity in the face of the international terrorist threat to all our citizens' security.

54. Following discussion at Hampton Court, the December European Council agreed a **new Counter-Terrorism Strategy**, to guide work to: prevent new recruits to terrorism; better protect potential targets; pursue and investigate terrorists; and improve our capability to respond to and manage the consequences of terrorist attacks. Under these four strands the UK Presidency delivered substantial outcomes including:

- a Directive on the Retention of Communications Data, which will improve the ability of law enforcement agencies to combat terrorism and organised crime;
- a Strategy and Action Plan to combat radicalisation and recruitment, to address the factors that can lead individuals to become radicalised and recruited into terrorism;
- a set of common principles for protecting critical infrastructure against all hazards including terrorist attacks;
- intergovernmental agreement on the introduction of common biometric security standards into national ID cards, to prevent these from becoming a weak link in travel documentation;
- recommendations for how Member States should improve their domestic Counter-Terrorism capabilities;
- measures to combat terrorist financing, (principles for combating the misuse of charities, a Money Laundering Directive which tightens regulations of the banking sector, and the Regulation on Cash Controls);
- recommendations for work to deny terrorists access to explosives and combat their abuse of the internet; and
- EU Crisis Co-ordination Arrangements, to set out how Member States will co-ordinate in the wake of a terrorist attack or any other type of disaster.

Asylum and Immigration

55. The human tragedy caused by irregular migration across the Mediterranean during 2005 highlighted the extent of the challenge of **managing migration** for all Member States. The UK Presidency worked to develop the EU's ability to work in partnership with third countries to improve their capacity to protect refugees and control flows of illegal migration. Following discussion at the Hampton Court Summit, the December European Council agreed a paper outlining priority actions for managing migration flows, with a particular focus on Africa and the Mediterranean. The UK Presidency also saw progress on negotiating readmission agreements with key third countries, initialling readmission and visa facilitation agreements with Russia, and advancing negotiations with Ukraine and Morocco.

Organised crime, drugs and judicial co-operation

56. Under the UK Presidency the EU agreed on an Action Plan to combat Human Trafficking that takes an end-to-end approach to tackling trafficking, focussing on measures to improve prevention, investigation and prosecution, and victim support. The EU also agreed a European Criminal Intelligence model to support Europol (the EU's Police Office) in producing an annual Organised Crime Threat Assessment, the first of which will be in July. This will support the development of intelligence-led policing at EU level. The Presidency also concluded Europol agreements with Croatia and Canada that will facilitate the flow of information between the EU and these two countries. A Framework Decision on information exchange, which sets time limits within which law enforcement authorities in one Member State must respond to requests for investigative information from another was also adopted.
57. The UK Presidency also worked to deliver the EU Drugs Action Plan 2005-8, taking forward discussion on a range of thematic issues on supply and demand reduction, and developing co-operation with key third countries including Afghanistan (where the Presidency agreed a €250m increase in the EU's commitment), Iran, Turkey, Russia, and Latin America/Caribbean.

Civil Justice and fundamental rights

58. The UK Presidency made substantial progress on civil justice dossiers that aim to enable EU citizens to live, work, study, buy and sell, and do business across the Union with the same security and ease of access to justice as at home. The Government secured general agreement on the text of the Order for Payment dossier, which will make it easier to obtain judgements on (and enforce) uncontested debts throughout the EU. Subsequently on 13 December the European Parliament voted to adopt amendments in line with the Council text. The Austrian Presidency will seek to finalise agreement by completing negotiations on some technical aspects such as the standard forms. The UK Presidency reached a common understanding on most aspects of the Mediation Directive, which provides a framework within which parties involved in cross-border disputes will know that certain basic principles will apply if they undertake mediation. Work on this proposal will continue in the light of the forthcoming opinion of the European Parliament. The Presidency also made substantial progress on the Small Claims proposal by gaining Council agreement on major principles underpinning the procedure which, for instance, foresee a written procedure, time limits for each stage, proportionate costs and the use of modern technology for hearings. This proposal will help citizens resolve low-value claims across European borders speedily and cost-effectively. Agreement on the principles will guide future negotiations.
59. The UK Presidency ensured that initial discussions focused on a well-defined remit for the new **Fundamental Rights Agency**. This Agency will provide EU Institutions and Member States with non-binding assistance and expertise on fundamental rights when implementing Community law. It should not duplicate work already done by the Council of Europe. The European Commission wants the Agency to commence operations in January 2007.

Justice and Home Affairs in external relations

60. The UK Presidency also agreed a Strategy for the external relations dimension of freedom, security and justice issues. It identifies key thematic priorities for engaging with countries outside the EU in 2006, namely: cooperation with North Africa on counter-terrorism; combating drug production and trafficking to Europe from Afghanistan; combating organised crime and corruption in the Western Balkans; managing migration in partnership with Africa; and co-operation with Russia on justice and home affairs issues. Successful Ministerial meetings on Justice and Home Affairs issues took place during the UK Presidency with Afghanistan, the US, Russia and the Western Balkans.

EXTERNAL ISSUES

Development

61. The EU continued to lead efforts to **tackle world poverty** and took forward the debate on more effective EU support for Africa. The EU played a pivotal role in the negotiation of the reforms and commitments agreed at the UN Millennium Review Summit in September, including reaffirmation of the Millennium Development Goals (MDGs) and recognition of Africa's special needs. The EU presented a comprehensive development financing package, including a commitment to double EU aid from 2004 levels to around €66bn a year by 2010 and to consider innovative ways of financing aid.
62. The Council, Commission and European Parliament agreed the "European Consensus on Development". This provides for the first time a common vision, objectives, values and principles for all EU development work, centred around poverty eradication and achievement of the MDGs. Member States agreed measures to increase aid effectiveness and adopted the Untying Regulation, which will significantly reduce the cost of aid.
63. EU Member States were instrumental in launching in September the International Finance Facility for Immunisation, which is expected to prevent 5 million child deaths over the next ten years. Also in September, the EU provided 60% of the nearly €4bn new money pledged at the replenishment conference for the Global Fund to tackle AIDS, TB and malaria. In November the EU agreed a strong statement on HIV Prevention. The Community and Member States responded quickly, generously and effectively to the October earthquake in South Asia.

External Relations

Africa

64. In December the European Council agreed an ambitious and comprehensive **strategy for Africa**, including long term approaches to assist African efforts in the fields of peace and security, good governance and development, with emphasis on the promotion of the MDGs, as well as a substantial new partnership with Africa.

65. Throughout the year, the EU worked actively to promote peace, good governance, human rights and democracy in Africa. The EU has supported a number of electoral processes with financial and technical assistance and (in Ethiopia, Liberia and Burundi) through the deployment of electoral observation missions to the field.
66. The EU maintained its policy of pressure on the Government of **Zimbabwe** to respect good governance and human rights and developed its dialogue with regional partners.
67. The EU continued its support for the African Union's efforts to end the conflict in Darfur, providing substantial funding and technical assistance. EU efforts to consolidate peace and build stability in the Great Lakes region centred on supporting an effective transition in the Democratic Republic of Congo, including preparation for elections and the successful deployment of EU police and security sector reform missions. The EU also continued efforts to build lasting peace in the countries of the Mano River Union and to end the conflict in Cote d'Ivoire.

Iraq

68. EU support for **Iraq** focused on January and December's elections and referendum. The EU has continued to play a significant and constructive role in supporting Iraq towards its goal of a constitutionally elected government reflecting the views and interests of Iraqi society in its diversity, notably through:
 - ongoing assistance to the political transition process, through provision of financial and expert contributions to the constitutional process;
 - the EUJUST LEX rule of law mission, which became operational in July. Eight courses have been held in Member States training middle and senior ranking Iraqi judicial, police and prisons officials;
 - political dialogue and preparing for contractual relations on Trade Co-operation. The Commission has continued to implement technical assistance programmes on trade and customs to enhance Iraqi capacity to enter a Trade and Co-operation Agreement with the EU. Alongside this, the EU agreed to formalise political dialogue with Iraq: on 21 September the EU and Iraq signed a Joint Political Declaration. The first meeting under the Declaration was held in Baghdad on 25 October; and
 - Commission agreement to open a Delegation Office in Baghdad early this year.

United States

69. During our Presidency the UK worked to strengthen the **EU-US** dialogue on a range of international issues, including the Middle East Peace Process, Iraq and counter terrorism and in particular economic co-operation. In November the Government hosted the first ever EU-US Economic Ministerial and agreed a joint EU-US Work Programme covering all aspects of the economic relationship. In October an EU-US Justice and Home Affairs Ministerial meeting took place which took forward discussion on counter-terrorism co-operation including border and document security.

Canada

70. The EU's close relations with Canada were reflected in a successful EU-Canada Summit in November. Three important agreements were signed in the run up to this Summit: on Europol (see paragraph 56), co-operation on the European Security and Defence Policy, and Passenger Name Record, a counter-terrorism measure for EU-Canada aviation. The EU and Canada worked closely together on climate change and a range of foreign policy issues including the Middle East Peace Process. As Presidency, the UK also pressed Canada towards establishing visa free travel for all the Member States.

Russia

71. The **EU-Russia summit**, which took place on 4 October in London, saw a substantive discussion of issues, including energy (see paragraph 52), and the North Caucasus. The EU stressed the importance of protecting human rights in the fight against terrorism in Chechnya and welcomed the ongoing EU-Russia Human Rights consultations. The Summit also: finalised the negotiation of readmission and visa facilitation agreements; welcomed the launch of a €20m programme of socio-economic assistance to the North Caucasus; supported Russia's WTO entry; and welcomed co-operation on climate change. The UK Presidency pressed ahead as well with practical implementation of the Four Common Spaces agreed in May 2005 (a common economic space; a common space of freedom, justice and security; a common space of external security; and a common space of research and education, including culture), agreeing to take forward joint action on Justice and Home Affairs issues and engaging more closely with Russia on a range of international issues.

Ukraine

72. The UK Presidency saw **EU-Ukraine** relations grow much closer and stronger. At the high-profile EU-Ukraine Summit in Kiev on 1 December attended by the Prime Minister, the EU and Ukraine were able to demonstrate concrete progress in a wide range of areas. These included: welcoming Ukraine meeting the technical criteria for Market Economy Status, which will improve Ukraine's trade links with the EU, and progress on WTO accession; calling for rapid conclusion of negotiations for visa facilitation and readmission agreements; signing an energy memorandum of understanding and agreements on the European satellite navigation programme Galileo and on aviation; and welcoming co-operation with Ukraine on foreign and security policy. Since the Summit, Market Economy Status has been granted.

Iran

73. Given provocative political moves by **Iran** since May, the EU agreed at the 16 December European Council on the need to keep the EU's diplomatic options under close review and to continue to calibrate the EU's approach in light of Iranian declarations and actions.

74. In August 2005, negotiations on the EU-Iran Trade and Co-operation and Political Dialogue Agreements were frozen by the EU following Iran's unilateral decision to resume uranium conversion in defiance of the November 2004 Paris agreement and successive IAEA Board resolutions. The EU welcomed and fully supported the IAEA Board resolution of 24 September, which found Iran non-

compliant with its safeguards obligations. The E3 (France, Germany and the UK), supported by the EU High Representative, have continued to work towards an objective of Iran resuspending nuclear fuel cycle activities and resuming talks.

75. Regrettably, Iran failed to agree dates for either the EU-Iran Comprehensive or Human Rights Dialogues under the UK Presidency. The EU raised its concerns nevertheless, for example by strongly condemning President Ahmadinajad's comments calling for the destruction of the State of Israel. On 8 December the Presidency also condemned a further statement in which the Iranian President denied the Holocaust and called for Israel to be relocated to Europe. On human rights, the EU issued statements and made representations to the Iranian authorities with respect to human rights violations at least 15 times. On 18 November the EU co-sponsored the UN General Assembly resolution on human rights in Iran.
76. During the UK Presidency the EU reviewed its overall approach to Iran in light of political changes there. It agreed on the importance of the EU's formal Dialogues with Iran as the frameworks within which to raise issues of mutual interest (such as counter-narcotics) and concern (including WMD proliferation, terrorism, human rights and fundamental freedoms, Iran's approach to the Middle East Peace Process, and regional issues), but agreed that its overall approach should be tougher and more targeted on the EU's areas of concern than previously. The European Council Declaration on the Middle East and the Mediterranean on 16 December included language calling on Iran to join the international consensus on a two-state solution to the Middle East conflict, and to end its support for groups advocating or engaging in terrorist acts.

East Asia

77. The UK Presidency worked to develop the EU's strategy towards East Asia. It agreed a set of Policy Guidelines on East Asia with the aim of developing a more coherent and consistent policy, taking account of wider political and security concerns as well as economic interests. EU-US and EU-Japan Strategic Dialogues were established as a means of discussing Asia at a strategic level with international partners. Negotiations for Partnership and Cooperation Agreements with Thailand, Singapore, and Indonesia were opened during our Presidency.

China

78. The success of the 8th EU-China summit early in the UK Presidency provided a strong basis on which to build up the EU's Comprehensive Strategic Partnership with China. The centrepiece of the Summit was the signature of the EU-China Partnership on Climate Change. As part of this partnership the UK, working closely with the Chinese, will lead a feasibility assessment of the potential for a near-zero emissions coal plant using carbon capture and storage in China. A memorandum of understanding between the UK and China was signed in December to initiate the feasibility assessment, which will receive £3.5m funding from the UK and report at the end of 2008. A complementary agreement between the European Commission and China was prepared in 2005 for signing in the first half of this year. The UK also hosted the first strategic level dialogue with the Chinese in London to discuss issues including energy and development.

79. Human rights remained high on the EU's agenda through the EU-China human rights dialogue. The EU continued to press the Chinese on freedom of religious belief and the role of the judiciary in the criminal justice system. An EU-China expert-level seminar was organised to help China address legal issues surrounding its ratification of aspects of the International Covenant on Civil and Political Rights.

India

80. The EU-India Summit on 7 September cemented the Strategic Partnership established in 2004. The main focus was the agreement of the wide-ranging and ambitious EU-India Joint Action Plan, which will form the framework for future EU-India engagement. The EU and India also announced at the Summit that they would conclude a framework agreement on India's participation in the European satellite navigation programme Galileo. The general spirit of co-operation received an additional boost with the announcement by Manmohan Singh, the Prime Minister of India, at the Summit press conference of an order by Indian Airlines for the purchase of 43 Airbus, worth \$2.2bn.

Afghanistan

81. In 2005 the EU was one of the largest contributors to the UN fund for the 18 September Parliamentary elections, and the EU Election Observation Mission was the largest international mission to cover them. On 16 November the EU and Afghanistan signed a Joint Declaration (JD) which re-affirms the EU's continued support for Afghanistan, seeks to build on the success of the Bonn Agreement by establishing shared priorities for the next phase of Afghanistan's renewal, and commits both sides to annual Ministerial meetings. The EU also agreed to increase assistance to Afghanistan and her neighbours as set out in the EU Drugs Action Plan 2005-2008 (see paragraph 57).

Middle East Peace Process

82. During the UK Presidency, the main objective for the European Union in the **Middle East Peace Process** was to support the work of James Wolfensohn, Special Envoy for Disengagement for the Quartet (US, UN, EU and Russia), to help build the Palestinian economy after Israeli disengagement from Gaza and parts of the West Bank. In 2005, the European Commission increased its support to the Palestinians to around €280m (up from €250m in 2004). In November the Israelis and the Palestinians agreed a timetable of measures to facilitate the movement of Palestinians around and between Gaza and the West Bank. This paved the way for the launch of the EU Border Assistance Mission at Rafah, which enabled the opening of the crossing at the Gaza-Egypt border. The Commission and European Investment Bank brought forward a package to support economic regeneration in the West Bank and Gaza Strip. This package saw the EU working to invest €30m in a scheme to increase the availability of affordable loan finance to small and medium sized businesses, and €45m in a project to improve the quality and reliability of the electricity supply across the Palestinian Territories.

EuroMed Partnership

83. The UK Presidency hosted with Spain the first ever **EuroMed Summit** between the EU and the ten Mediterranean Partners on 27/28 November in Barcelona. The Summit delivered a five-year Work Plan with a substantial package of commitments towards political, economic and social reform in the Southern Mediterranean region.

84. The commitments agreed at the Summit included:

- a Code of Conduct on Countering Terrorism: the first time ever that Europe, Israel and Arab countries have agreed to condemn terrorism in all its manifestations, as well as practical commitments to act together against terrorism;
- a Governance Facility: a substantial EU “incentive fund” to reward Mediterranean partners who make progress on good governance;
- a commitment to raise standards in conduct of elections. This will be supported by EU technical assistance and observers;
- agreement to liberalise trade in agriculture and services. A first wave of regional negotiations should be concluded before December;
- targets on education including a commitment to ensure that all children (boys and girls) have access to quality education and to halving current illiteracy rates in the region by 2015;
- a commitment to develop cooperation between the EU and Southern-Mediterranean countries on migration policy; and
- €1bn in further lending to private investment in the Southern Mediterranean region was announced by the European Investment Bank.

Latin America

85. The main focus of EU efforts in Latin America has continued to be on encouraging the consolidation of democracy, good governance and human rights in the region and to support the fight against poverty, inequality and social exclusion. During the UK’s EU Presidency, Foreign Ministers adopted in October conclusions on Colombia that set out the EU’s response to the adoption of the Justice and Peace Law. We also worked closely with the Austrians and European Commission on preparations for the Fourth EU-Latin America and Caribbean (LAC) Summit in Vienna in May. We secured the agreement of the LAC, for the first time, on a limited number of topics to form the Summit agenda. We hope this will lead to a sharper structure and a more focused communiqué.

Common Foreign & Security Policy (CFSP)

86. At the Informal Summit at Hampton Court in October, EU Heads agreed on the need to develop further the EU’s place in the world through: increasing the funding available for CFSP and ensuring that the EU can finance civilian operations rapidly; ensuring the EU’s crisis management structures can meet new demands on them; and capabilities development, including improving spending and co-ordination on defence research. EU Heads also committed to greater co-ordination of EU action in the Balkans, and ensuring that the EU is ready to assume greater responsibility in Kosovo. The High Representative, working with others as appropriate, was tasked with taking forward work in these areas. During its Presidency the UK saw through important initial steps, for example achieving a significant uplift in the CFSP budget for 2006 and committing Member States to a substantial increase in funding over 2007-2013.

European Security and Defence Policy (ESDP)

87. The UK Presidency drove a rapid development in **ESDP's operational activity**. The EU is now carrying out many missions and other activities in Africa, Asia, Middle East and the Balkans. In particular, the EU responded very rapidly to establish missions to monitor the peace process in Aceh, Indonesia, and to enable the opening of the Palestinian border crossing at Rafah. Actions were also launched to support the development of Palestinian civil policing, to train Iraqi rule of law professionals and to support the African Union mission in Sudan. The ESDP mission in Bosnia completed its first full year, under a British commander, and has been extended for a further 12 months. The EU also agreed to extend its police mission in Bosnia, with a renewed focus on fighting organised crime, and reviewed its ESDP mission in the Democratic Republic of Congo. The EU's missions in Georgia and Macedonia were successfully concluded. Much progress was achieved on meeting the Civilian Headline Goal, especially in the area of identifying capabilities needed in EU civilian crisis management and highlighting shortfalls and on new rapidly-deployable capabilities.
88. The Presidency reviewed progress on the EU's capacity to respond to disasters, on the basis of the Action Plan drawn up following the Asian tsunami. The Presidency also completed the military Requirements Catalogue detailing what the EU needs to undertake its agreed range of tasks. The EU Battlegroups initiative (which comprises very rapidly deployable, self-sustaining packages of 1,500 troops drawn from one or more Member States) was further taken forward, with new commitments made by Member States. 18 Battlegroups involving 26 countries have now been committed. The European Defence Agency developed its future work plan and facilitated the launch of a new group to address the shortfall in Air to Air Refuelling capability. It also agreed a Code of Conduct that will open up European defence equipment markets and make them more competitive.
89. In co-operation with the next two Presidencies, the UK launched a work programme on civil-military coordination. Concepts for Security Sector Reform and Comprehensive Planning were developed to ensure the EU can apply the wide range of assets at its disposal coherently and effectively. Terms of reference for liaison arrangements were agreed between the EU and NATO that will further improve transparency between the two organisations.
90. The Council adopted new **European Union Guidelines on International Humanitarian Law** to ensure coherent EU action to promote respect for humanitarian law in third countries.

Trade

91. The UK worked closely with the Commission to build on the progress made thus far in the **Doha Round**, and to ensure a substantial EU contribution to the trade negotiations at the WTO Ministerial Conference in Hong Kong in December. Progress was made at Hong Kong, but not as much as we would have liked. Agreement was reached on 2013 as the end date for export subsidies, and on an extension to Duty Free and Quota Free access for Least Developed Countries. Nevertheless enough was done to enable the Round to be concluded this year, provided the political will is there.
92. An agreement between the Commission and the **Chinese** authorities to restrict exports of a number of categories of clothing to the EU was reached in June, but quickly ran into well-publicised practical difficulties. The Presidency worked in support of the Commission's successful efforts to amend the

agreement, in early September, in a way that largely met the needs of industry.

93. The Presidency lobbied strongly in support of Saudi Arabian accession to the WTO and achieved approval of it by the WTO Council in October.
94. The Presidency brokered agreement to an EU Action Plan to combat the growing threat from **pirated and counterfeit goods**. This Action Plan aims at strengthening frontier controls across the EU and improving the implementation of anti-counterfeiting policy and legislation, with a particular focus on tackling fake products that present a health and safety threat, such as medicines, pharmaceutical products, foodstuffs and children's toys.

PART TWO: PROSPECTS FOR THE EU IN 2006

INSTITUTIONAL ISSUES AND ENLARGEMENT

The debate on the Future of Europe and the EU Constitutional Treaty

95. Tackling the challenges and opportunities of globalisation remains at the top of the European Agenda in 2006. Work will be carried out on research and development, university reform, the demographic challenge, energy, security and immigration on the basis of the Commission interim report on the follow-up to the Informal meeting at Hampton Court which took place under the UK Presidency in October 2005. The High Representative for Common Foreign and Security Policy will also take forward work on CFSP, including defence and security.
96. As part of the period of reflection agreed last June, the Austrian and Finnish Presidencies will aim to ensure a wide-ranging dialogue in order to identify issues of concern and policy areas where European Union action is regarded as necessary to meet the future challenges of Europe. The Government will participate constructively in these discussions. This dialogue will also focus on exploring how best to ensure that decisions are taken at the lowest possible level while still achieving effective action. To facilitate this debate, the Austrian Presidency will also host a conference on subsidiarity in April 2006.
97. The June 2005 European Council agreed that an overall assessment of the national debates would be carried out in the first half of 2006. The joint UK and Austrian Presidency interim report on the period of reflection, submitted to the December European Council, provides a useful starting point for this assessment. Building on this report, and in the light of the continuing debate, the European Council in June 2006 will take stock of the reflection process, and will aim to establish a clearer perspective for the future. It will be followed up during the Finnish Presidency in the second half of this year.

Enlargement

98. Enlargement will remain a prominent element in the EU's external engagement in 2006. The Council will consider in more detail the Enlargement Strategy Paper published by the Commission in November last year.
99. **Bulgaria** and **Romania** will continue their preparations for membership. In April/May, the Commission should produce a further report on the state of Bulgaria and Romania's preparedness. If it judges that either or both are "manifestly unprepared" to join on 1 January 2007, it can then recommend that the relevant country's entry be deferred by one year. If so, the June European Council will reach a final decision. The Government is confident that Bulgaria and Romania can join in 2007 if they take urgent and vigorous action to address the main areas of concern identified by the Commission. The UK continues to provide significant bilateral assistance to help them do so.
100. The EU (Accessions) Bill should complete its passage through the Houses of Parliament this spring. This will complete the UK ratification of the EU's Accession Treaty with Bulgaria and Romania. The Bill would also give the Government the power to make regulations setting the terms on which Bulgarian and Romanian workers will be granted access to the UK labour market during a maximum seven-year transitional period. The Government will make a decision on this closer to both countries'

accession, after full consideration of the state of the domestic labour market, other Member States' decisions and further analysis of the UK's experience of opening its labour market to the countries which joined the EU in 2004.

101. Accession negotiations will proceed with both **Turkey** and **Croatia**. The Commission will continue to screen their legislation for compatibility with the EU's *acquis* and should complete the entire process by the autumn. Both countries should be ready to open negotiations on some individual chapters in the first months of this year. Following agreement on new Accession Partnerships in December, both countries should draw up plans for their implementation with specific measures to address the short and medium term priorities identified. The Commission will produce its annual reports on both countries in the autumn.
102. The UK will continue to support the European perspective of the **Western Balkans**, providing they meet the necessary political criteria, including full co-operation with the International Criminal Tribunal for the former Yugoslavia (ICTY). The EU's policy for the region is designed to bring the Western Balkans closer to the EU and prepare them for EU membership. Progress will be reviewed at an EU-Western Balkans ministerial meeting organised by the Austrian Presidency in March. Further steps towards Macedonia's EU membership will be considered in the light of Macedonia's progress against the Copenhagen political criteria (see glossary) and the requirements of the Stabilisation and Association Process. The UK Government expects Serbia and Montenegro and Bosnia and Herzegovina to make progress towards the conclusion of their Stabilisation and Association Agreements this year. The EU will work to ensure that a referendum on independence for Montenegro meets international standards and will also consider what role it could play in support of a settlement on the status of Kosovo. Decisions will be taken later in the year about the future role of the international community, including the EU, in Bosnia. The EU will also consider the case for concluding a Stabilisation and Association Agreement with Albania.

INTERNAL ISSUES

The Future Financial arrangements for the Union

103. The Council and Commission will aim under the Austrian Presidency to reach agreement with the European Parliament, on the basis of the agreement reached at the European Council on 15-16 December, on a new Inter-Institutional Agreement (IIA) on Budgetary Discipline. This would provide the necessary formal basis for the decisions on EU spending over 2007-2013 taken at the December European Council.

Structural and Cohesion Funds

104. Work will continue on the new regulations governing financing of the Structural and Cohesion Funds (SCF), so that they can come into effect when the current regulations expire at the end of this year. The Austrian Presidency is expected to move the process of adoption of the new Regulations along swiftly, though agreement of the IIA on Budgetary Discipline is a pre-requisite for formal adoption.
105. Member States will also discuss options for simpler and more effective implementation and monitoring arrangements for SCF to ensure that they are consistent with the EU's economic reform and sustainable development agendas.

Economic Reform and Social Justice

106. The Government will press this year for timely implementation of the proposed reforms in the **Lisbon National Reform Programmes** (NRPs). Earlier this month, the Commission presented its Annual Progress Report, the first step of new Lisbon governance arrangements. Substantive discussion of the NRPs is planned at the Spring European Council, and there will be a review of progress under the Finnish Presidency.
107. In the area of **R&D**, the Spring European Council will consider actions arising from the expected report of the High-Level Group led by Esko Aho, former Prime Minister of Finland, on improving Europe's research and innovation performance, established as a result of the Hampton Court Summit (see paragraph 19). Discussions will continue on the next R&D Framework Programme (FP7) where the Government hopes final agreement can be reached in time for first calls for research proposals to be issued before the end of this year.
108. In the area of **demography**, the Commission will analyse the responses it received to its 2005 Green Paper on "*Confronting Demographic Change: a new solidarity between the generations*" and will put forward proposals, using contributions from external experts, on a better and fairer work-life balance. The Commission will also present a Communication on the demographic future of Europe.
109. The Government expects progress to continue this year on **better regulation**, with the Commission delivering on their simplification programme and maintaining impetus in the follow-up work. Both the Austrian and Finnish EU Presidencies are committed to maintaining the reform momentum based on a joint programme of work agreed under the UK Presidency.
110. The Government expects the European Commission and Member States to pursue further work on **completing the single market**, tackling barriers to competition, particularly in the key network industries. The Commission's ongoing sector inquiries into the energy and financial services markets must produce concrete measures to drive up competition. In energy, Member States must meet their commitments to fully open up their gas and electricity markets to competition by 2007. And EU Member States should pledge to complete the internal market in postal services by 2009.
111. Discussions will continue on the draft **Services Directive**. The First Reading in the European Parliament is scheduled to take place in February. Following that vote, the Government expects the Commission to produce revised proposals which will form the basis for further work in both Parliament and Council this year.
112. The Commission published on 13 December proposals to revise the **Television Without Frontiers Directive**, which looks at the EU regulatory framework for audio visual services. Discussions on these proposals will begin under the Austrian Presidency. The Commission is due to publish at the end of the year proposals to revise the **2002 Electronic Communications Framework**, which has as its overriding objective the need to encourage open and competitive electronic communications markets. The UK will look to ensure that any revisions to either of these legislative proposals do not create new regulatory burdens that would hinder growth and competitiveness in these rapidly changing industries.

113. The Austrian Presidency is seeking a solution on **VAT reduced rates**, which will determine how and on what products Member States can lower the VAT paid by their citizens, and to continue to take forward the discussion on the modernisation of the VAT system.
114. An agreement on a European solution to the **Working Time Directive** (WTD) remains a priority for the Government. We will work closely with the Austrian Presidency to build on the positive progress made during the UK Presidency.
115. In the area of **health and safety**, the UK has, in conjunction with the Austrian and Finnish Presidencies, commended five key themes to the European Commission that senior European health and safety officials believe should have an important place in the next EU Occupational Safety and Health Strategy to run from 2007-2012.
116. Reform of the **State Aid** regime will continue to be a vital part of the Lisbon Agenda to deliver greater sustainable prosperity for all regions of the EU. The Government expects further substantial progress this year including the finalisation of new rules on state aid for innovation and R&D, risk capital and environmental aid. These should allow faster approval of routine aids while allowing the Commission to focus on larger, more distortive cases. They will also provide more effective safeguards to ensure that Member States do not provide excessive aid to domestic industries and thus distort competitive markets.
117. Following progress under the UK Presidency, work will continue this year on the proposed **European Gender Institute**, which will co-ordinate EU research and data on gender equality across the Union.

Transport

118. Following the successful resumption during the UK Presidency of negotiations with the US on an **aviation agreement**, it falls to the Austrian Presidency to bring a balanced deal to the Council for approval. The Government also hopes to see agreement to a revised regulation on aviation security. The UK is assisting Austria with the handling of maritime business during its Presidency, on which it plans to advance negotiations on **port state control** and **vessel traffic monitoring**, as well as seeking evidence of specific added value in the proposals for **port services**. The important issue of **road safety** is to be the subject of an Informal Council during the Austrian Presidency and the now annual Ministerial Conference in Verona during the Finnish Presidency. Negotiations on a proposed revision of the rules on the funding by authorities of local transport services are expected to continue during the year, and the Commission is expected to publish the outcome of its mid-term review of its 10-year transport policy white paper.

Education

119. The Austrian Presidency will pick up negotiations on the proposed **integrated lifelong learning programme** and **Youth in Action programme** for 2007-2013 on the basis of the partial political agreement concluded under the UK Presidency, looking for agreement on the specific spending plans within those programmes.

120. Education Ministers will adopt in February a report on progress against **the Education and Training 2010 programme** and agree future priorities for co-operation between Member States to ensure that education and skills contribute to the competitiveness and social inclusion elements of the EU's economic reform agenda, as part of their input to the Spring European Council.
121. The Austrian Presidency will be able to adopt formally a Recommendation on Quality Assurance in **Higher Education** on the basis of a deal between the Council and the European Parliament negotiated under the UK Presidency. The Austrian Presidency will take forward further work on making universities more competitive in line with the priorities agreed by EU Heads of State and Government at their special summit in Hampton Court in October 2005 and following on from the Council Conclusions adopted under the UK Presidency on the contribution of higher education to EU economic reform.
122. Other areas of work on which negotiations will take place during the Austrian Presidency include work on multilingualism and a proposal for a language competence indicator, and a proposed charter setting out good practice for educational exchanges and mobility.

Health

123. Work to prepare for a possible avian or human flu pandemic will continue this year under the Austrian and Finnish Presidencies.
124. EU Ministers have agreed common positions on the dossiers concerning the Addition of Vitamins and Minerals to Food, Nutrition and Health Claims, and Paediatric Medicines. Negotiations on the Commission's proposal on Tissue Engineering Regulations have begun, and will continue this year: this proposal aims to protect public health and to foster innovation, investment, and competitiveness in the sector in Europe. Ministers will continue work on the Health and Consumer Protection Programme, and on the Framework Convention on Tobacco Control. Ministers are also likely to discuss new proposals revising the controls on food improvement agents (food additives, flavours, and enzymes).

Agriculture and Fisheries

125. The sugar reform and rural development guidelines agreed under the UK Presidency will be formally adopted this year. The UK will also continue to press for adequate transitional assistance over 2007-2013 for the African, Caribbean and Pacific countries negatively affected by sugar reform.
126. The Council will discuss a report published by the Commission under the UK Presidency on **Simplification and Better Regulation of the Common Agricultural Policy (CAP)**. The Commission is likely to make legal proposals on that basis this year, and is due to publish proposals on reform of the market organisations for fruit and vegetables, and possibly wine and bananas, in line with the broader CAP reform of almost every other regime. The Council will also look for agreement early this year on Commission proposals for changes to the CAP regimes covering rice and dried fodder, as well as adjustments to the arrangements for the flax and hemp sectors.

127. The Commission will publish in the first few months of the year an Action Plan on **biomass** and a proposal on bio fuels, after which the Council will take stock of the role renewable energy sources play within the CAP and will review the energy crop support arrangements during 2006.
128. The Commission will publish this year a report on coexistence between organic, conventional and **Genetically Modified Organisms** in agricultural production. Work on the proposed revision of organic farming legislation will continue in line with the European Action Plan on Organic Food and Farming, with the aim of introducing principles for this sector, simplifying existing provisions and improving the circulation of organic produce.
129. Other agricultural issues to be dealt with this year are the proposed amendments to the regulation on **geographical indications** (which ensure that only products meeting a geographically defined specification, like Stilton or Roquefort, can use that label).
130. 2006 will see the agreement of two key **fisheries** dossiers: the new European Fisheries Fund which provides the structural funding element of the Common Fisheries Policy and covers the period 2007-2013; and technical conservation measures in the Mediterranean Sea to contribute to the long-term sustainability of fish stocks. Work, started under the UK Presidency, will also continue on better regulation to improve Council working methods and decision-making processes and to simplify the Common Fisheries Policy on the basis of the Commission's simplification action plan published in December 2005. The Commission will publish a communication early this year setting out options on how the EU proposes to meet its commitments on fisheries made at the World Summit on Sustainable Development in 2002.
131. This year should also see the establishment of four more Regional Advisory Councils (RACs) covering the Baltic, Mediterranean and High Seas and South Western Waters. The first three RACs bring together various stakeholders, including the fishing industry, NGOs and other interest groups, to examine fisheries management issues and to suggest policy measures. The formal positions already produced by RACs have had an influence on the Commission's thinking and the Council's decision-making, some directly affecting policy.

Animal Health & Welfare

132. This year should see amendments agreed on the EU's regulations on Transmissible Spongiform Encephalopathy, alongside the lifting of the export embargo on UK beef. The Commission are expected to bring forward proposals to amend the Animal By-Products Directive. In line with the Better Regulation agenda, the Austrian Presidency should conclude work on a new Directive on the Welfare of Meat Chickens, and there will be further work on an Animal Welfare Action Plan for the Community. 2006 will also bring further negotiations on existing and new Veterinary Agreements with third countries. And finally, in late 2006 the Commission should conclude its work on a Community Animal Health Policy, as driven forward by the UK during its Presidency.

Sustainable Development and the Environment

133. The European Commission released in December its delayed proposals for the review of the EU's **Sustainable Development Strategy**. The review aims to better communicate the Union's approach

by bringing together the EU's sustainable development priorities and objectives in a clear, coherent strategy, integrating both the internal and international aspects of its work, including through the global partnership for development. The broad approach agreed between the Austrian and UK Presidencies aims to achieve buy-in from across the economic, social and environmental spectrum by inviting input from the range of interested Council formations before endorsement by the European Council in June.

134. The EU will play an active and constructive role in the process established by the President of the UN General Assembly to follow up the undertaking of the UN World Summit in September 2005 to improve international environmental governance. The EU will continue to support transforming the UN Environment Programme into a UN Specialised Agency, with a strengthened mandate and stable, adequate and predictable financing.
135. On **illegal logging**, the EU and Member States have begun work on the development of Voluntary Partnership Agreements with a number of timber-producing countries (including Ghana, Cameroon, Indonesia and Malaysia). The Partnership Agreements will establish timber-licensing systems to help timber-producing countries guarantee that their timber exports to the EU come from legal sources, and therefore help prevent illegal and unlicensed timber from entering the EU market. The Government hopes that a number of the Voluntary Partnership Agreements will be developed during 2006.
136. All of the seven thematic strategies required under the EU's **Sixth Environmental Action Programme** have slipped beyond their July 2005 deadline. Member States broadly welcomed the European Commission's Thematic Strategy on air quality (published on 21 September) at the December Environment Council, but called for detail on measures to deliver the Strategy and for these measures to be subject to impact assessment. Given the late publication of the Marine Strategy on 24 October, there was not time to prepare a full debate at Council, but initial views were expressed at a Working Group. The Government is considering strategies on Waste and Sustainable Use of Natural Resources, which were published on 21 December. Thematic Strategies on the urban environment, soil and pesticides are all expected in the first half of this year.

Climate change

137. The EU will submit to the United Nations Framework Convention on Climate Change in the spring its views on how future commitments under the Kyoto Protocol should be considered, and how the wider dialogue on long term co-operative action under the UN Convention should be taken forward. The EU will keep climate change high on the international agenda, maintaining its leadership role, including through use of its Summits with third countries.
138. The Government will work to ensure effective implementation of the agreements reached under our Presidency, and EU contributions to the Gleneagles Plan of Action agreed in July last year. We will work closely with EU Member States and the Commission to follow up the EU-India Initiative and the EU-China Partnership on climate change, including taking forward the near-zero carbon emissions coal plant in China. The Government will contribute to discussions between the EU and Canada on finding ways to link our respective emissions trading schemes. The Government will continue to co-operate with Russia on effective implementation of the Kyoto Protocol and further action to follow up Kyoto beyond 2012.

139. The EU will further develop its medium and long term strategy on climate change, including targets. The Commission is due to report to the Council in the spring or early summer with further analysis on a range of emissions reductions identified for 2020 and beyond, and pathways to meet them. This analysis, and the Commission's review of the European Climate Change Programme to date will enable the Council to consider the strategy further under the Finnish Presidency.
140. Following the successful launch of the EU's ground-breaking **Emissions Trading Scheme (ETS)** in 2005, Member States will submit their plans for the second phase of the EU ETS by June. The UK strongly supports emissions trading as a cost-effective means of achieving climate change objectives. The Commission will conduct a review of the Emissions Trading Directive in June. The Government will work with the Commission and Member States to influence the ongoing development of the ETS, to ensure that it delivers important environmental benefits and operates as an economically efficient trading market that maintains the competitive position of UK industry.
141. The Commission will report on how to include aviation emissions in the ETS. The Council has asked the Commission to present legislative proposals for a well-designed scheme by the end of this year. The Government expects these to be accompanied by a robust impact assessment.
142. On other dossiers contributing to EU efforts to tackle climate change, the European Commission will develop an ambitious **Action Plan for Energy Efficiency** to be approved in the course of this year. Following the progress made under our EU Presidency, agreement should be reached in the first half of this year on a **Directive on Fluorinated Gases**. The EU Environmental Technologies Action Plan (ETAP), published in January 2004, recognises the important role that technologies with better environmental performance can have in achieving the EU's environmental (including climate change) and competitiveness goals. All EU Member States were required to set up national roadmaps for the implementation of ETAP by the end of 2005 to ensure progress in 2006. The UK submitted its roadmap in December, and it is available in the Library of the House.³

Energy Security

143. The Hampton Court Summit agreed to further work on European energy issues under Commission auspices. Work will be taken forward in five areas:
- diversifying the sources of our energy, looking at all sources of power;
 - developing a properly integrated European Grid and genuinely open energy market;
 - ensuring a coherent and operational approach to EU dialogue with major energy suppliers, eg Russia and OPEC;
 - developing a shared vision of our needs and capacity to refine, process and store more energy; and
 - placing energy efficiency and clean technologies at the heart of our agenda.
144. The development of an EU Energy Policy has strong merits, provided that it follows the principles of Better Regulation. Advancing this agenda will be a real priority this year. The Commission will lead the work on this, consulting Member States, and plans to publish a Green Paper on Energy before the Spring European Council. The recent dispute between Russia and Ukraine over the trade and transit of gas has given increased impetus to this.

³ Available at: <http://www.defra.gov.uk/environment/business/envtech/pdf/roadmap.pdf>

Freedom, Security and Justice

Counter-Terrorism

145. Substantial progress was made on EU Counter-Terrorism under the UK Presidency, particularly in the wake of the July 7 bombings, including the agreement of an instrument on retention of electronic communications data and a comprehensive EU Counter-Terrorism Strategy. The Government will work with the Austrian and Finnish Presidencies to help them deliver the priorities set out within it. Priorities will be to:
- deliver the EU Strategy to combat radicalisation and recruitment to terrorism;
 - increase protective security by agreeing a European programme to protect critical infrastructure and continuing efforts to tighten border and transport security;
 - increase our collective efforts to pursue and investigate terrorism across borders; and
 - ensure the EU is equipped to respond to terrorist attacks when they happen, by putting into practice agreed crisis co-ordination arrangements and revisiting the legislation which sets out the EU's role in managing the consequences of major disasters.
146. Across this agenda the Government will work to reinforce the EU's international role, in particular in working towards agreement on a Comprehensive Convention against terrorism in the United Nations, and in working through the EU to provide counter-terrorism assistance to priority partner countries.

Asylum and Immigration

147. The UK will continue to work closely with the Austrian and Finnish Presidencies to build on progress made in 2005. The EU will strengthen dialogue and enhance co-operation with neighbouring countries, and other key third countries, in order to improve the global management of migration. At the Hampton Court Summit, Heads of Government agreed on the importance of stepping up the EU's approach to migration. In response, the UK Presidency agreed a Council paper outlining priority actions for managing global migration flows. The paper was adopted by the European Council in December, and the UK will work with Member States and the Commission to implement its proposals on migration co-operation with Africa and the Mediterranean. The UK will ensure priority countries are engaged in the process, and will co-operate closely with key partners to deepen the EU's dialogue with African countries, engaging in a broad and balanced discussion of migration issues, in particular at the forthcoming EU-Africa conference on migration and at the Euromed meeting of Justice and Home Affairs Ministers planned for this year.
148. The UK will support the Commission as it establishes and implements this year a pilot regional protection programme in Tanzania, to build and strengthen capacity for the better management of migration, to ensure full respect for individuals' human rights and to provide more durable solutions for refugees in the region. The UK will support further discussion on how to strengthen practical co-operation on asylum within the EU, to reinforce and enhance the benefits of EU-co-operation in this area. On border security, and the fight against illegal immigration, the work of the recently established border agency, Frontex, will continue to gain importance. The Government will support further debate and developments on the security of travel documents and border entry procedures, including the use of biometrics, in order to maintain and enhance the integrity of the EU's external borders. We look forward to continued progress in the negotiation of readmission agreements, as well as visa

facilitation agreements, with key third countries, including Ukraine, Morocco and Pakistan. Within the EU there will be further policy debate and continuing practical co-operation on the return of illegal immigrants.

Organised crime, drugs and judicial co-operation

149. Following the substantial progress made on the Framework Decision on the European Evidence Warrant during the UK Presidency, the Government will look to the Austrian Presidency to finalise negotiations. Once agreed, it will expedite the obtaining of evidence in cross-border cases. Co-operation will be based on the same principle of mutual recognition of Member States' distinct legal systems as the European Arrest Warrant, used to extradite a suspect for the attempted London bombings from Italy to the UK. The Austrian Presidency will take forward negotiations on the proposal applying the principle of mutual recognition to the transfer of prisoners serving custodial sentences within the EU, and further work on the electronic exchange of criminal record information.
150. The Austrian Presidency will also take forward work on the Draft Framework Decision on the Principle of Availability, which, once agreed, will speed up the exchange of law enforcement data held in databases throughout the EU. It will complement the instrument on improving information exchange agreed under the UK Presidency, as well as ongoing work within Europol to develop a system of intelligence-led policing. In addition, work will continue on the Draft Framework Decision on Data Protection, which intends to introduce common and uniform standards for law enforcement data exchanged across EU borders. In conjunction with the European Parliament, work will continue to explore compromises concerning the Commission's proposals for the future Schengen Information System II (the EU-wide police and immigration database), and the question of how law enforcement authorities should have access to the Visa Information System. Implementation of the Action Plan on Trafficking in Human Beings will begin. Work will continue on the Draft Council Decision on Cross-Border Police Co-operation and in particular concerning the proposals for police cross-border surveillance and hot-pursuit across EU borders.
151. The first half of this year will see the first round of evaluations designed to determine whether the 10 new Member States may lift their internal borders with the continental European states. The Austrian Presidency will also continue to oversee the negotiation of operational agreements between Europol and Australia and a number of Western Balkans states.
152. The Austrian and Finnish Presidencies will also continue work to implement the EU Drugs Action Plan 2005-8. A major priority for the first half of this year will be exploring the potential for increased co-operation with Latin America and the Caribbean in the run up to the EU- Latin America and the Caribbean Summit (see paragraph 179). 2006 will also see further work to increase the EU's activity in Afghanistan and Iran, amongst others.

Civil Justice and fundamental rights

153. Under the Austrian Presidency the Government will encourage further progress on a range of civil justice topics including a procedure to facilitate the making of small civil claims across European borders and the directive on mediation.

154. The Government expects continued progress on negotiations on the proposed EU Fundamental Rights Agency, to ensure that it remains tightly focused on assisting the EU institutions with their compliance with fundamental rights, and that it operates efficiently and cost-effectively.

External Relations dimension of Freedom, Security and Justice

155. The UK will continue to prioritise freedom, security and justice issues in the EU's external relations. The External Relations Strategy agreed in December 2005 will set the framework for this. We expect the Austrian Presidency to work to agree practical policy papers for reinforced EU action to combat organised crime in the Western Balkans and to assist countries on drugs transit routes from Afghanistan. Both of these issues are likely to feature on the agenda for a major Ministerial conference planned for 4-5 May in Vienna. The Finnish Presidency is likely to focus on developing co-operation with Russia on the range of JHA issues. We will engage actively during 2006 to increase the EU's impact in these areas, and will aim to ensure that other priorities - such as the migration agenda with Africa and counter-terrorism co-operation with North African countries - are followed up.

EXTERNAL ISSUES

Development

156. The Austrian Presidency will take forward the main elements of the development vision set out in the ground-breaking "Consensus for Development" agreed by the Council, Commission and European Parliament. In particular this highlights poverty eradication and the pursuit of the Millennium Development Goals as the primary and overarching objective for EC and EU development cooperation, and gives priority in terms of overall aid resource allocations to the poorest countries.

157. The legislation covering the EU's external spending over 2007-13 should be finalised during the Austrian Presidency. The proposed new Instruments should bring greater effectiveness to the EU's efforts towards poverty reduction and achievement of the Millennium Development Goals, and promote its enlargement, neighbourhood and stability objectives.

158. The Commission will bring forward proposals on the European Development Fund (EDF), after the December European Council agreed that this would not be incorporated into the overall EU budget. The negotiation of these proposals on allocation and programming arrangements will present an opportunity to further enhance the effectiveness of the EDF.

External Relations

Africa

159. 2006 will be a crucial year for implementing the comprehensive strategy for Africa agreed at the December European Council. The Strategy comprises actions to promote peace and security, good governance, investing in people, including a balanced dialogue and co-operation with the Africa Union on migration, sustainable economic growth and development assistance. The Commission's African Peace Facility is an important mechanism for providing support to African peace support

operations and capacity-building, and the EU should renew it under the Austrian Presidency with substantial, long-term and flexible funding.

160. The EU's policy of pressure on Zimbabwe to respect the rule of law, human rights and good governance will continue this year. In February the EU's Common Position on Zimbabwe must be renewed, and the Government will of course be pushing for its retention.
161. In the Horn of Africa, the EU will continue to urge the Sudanese Government to implement fully the Comprehensive Peace Agreement and to encourage the parties to the Darfur conflict to resolve their differences and sign a peace agreement. In the Democratic Republic of Congo (DRC), the EU will continue to support the peace process through elections in mid-2006, with the aim of seeing a democratically elected government in DRC for the first time in four decades. The EU's army and police reform missions (EUSec and RDCongo and EUPol Kinshasa respectively) will be key to ensuring a stable security environment to allow sustainable longer-term development.

Iraq

162. The EU's support will be more important than ever in 2006. The expected new Iraqi Government will inevitably need, and look to the international community for, support in a wide range of technical and logistical areas. The Austrian Presidency has already outlined its commitment to taking forward the political dialogue as soon as possible after the formation of the new government. They are also keen to assist with the constitutional review. The EUJUST LEX rule of law mission, which aims to train 770 middle and senior ranking Iraqi judicial, police and prisons officials by June, is to be reviewed in February. It has been well received by the Iraqi authorities, and they have formally requested that it should be extended beyond its current tenure and expanded to include a wider range of activities.
163. The UK will also seek to ensure that other areas where the EU has extensive experience and/or expertise and the Iraqi Government requires assistance, such as in the fields of rule of law, governance, human rights, economy/trade and civil society, are also properly exploited. The Government also hopes that the EU and Iraq can broaden and enhance their partnership further as the political process goes forward through the establishment of contractual relations.
164. Arrangements for the opening of a European Commission Delegation Office in Baghdad are now well advanced and should be finalised in the early part of this year. The Delegation Office will help the Commission fulfil its commitment to assist Iraq with capacity building in the trade and energy sectors. And it will help in preparing to begin negotiations on a third country agreement in due course.

United States

165. The Government will continue to work with its EU partners and the US to ensure that the transatlantic relationship provides a good basis for working together effectively on key global issues. This will include focusing on the implementation of the agreed Work Programme on closer economic co-operation.

European Neighbourhood Policy

166. Action Plans for the first wave of European Neighbourhood Policy (ENP) countries (Ukraine, Moldova, Israel, Palestinian Authority, Tunisia, Morocco, Jordan) are now being implemented. The Action Plans identify areas for reform linked to closer co-operation with the EU. The first formal review of Action Plans for Moldova and Ukraine will take place this year. Action Plans for Armenia, Azerbaijan, Georgia and Egypt are being negotiated and the Government hopes these will be completed during the first half of the year. The EU has also held informal consultations with Lebanon on developing an Action Plan.

Russia

167. Immediate priorities for the EU-Russia relationship this year will be to deliver on the facilitated visas and readmission agreements and for both the EU and Russia to take the steps necessary for them to enter into force. Similarly, the EU is keen to deliver its programme of socio-economic assistance to the North Caucasus as soon as possible, and looks forward to working closely with its Russian partners to make a real difference in the region. The dispute over gas supplies between Russia and Ukraine at the beginning of January is likely to provide an impetus to the energy security work agreed during the Hampton Court Summit (see paragraphs 143-144). Beyond these immediate priorities the EU will continue to work on implementation of the Four Common Spaces, continue a dialogue on the common neighbourhood, and to work with Russia on EU-Russia institutional arrangements from 2007, when the first 10-year term of the EU-Russia Partnership and Co-operation Agreement expires.

Ukraine

168. The EU will continue to emphasise the importance of holding free and fair parliamentary elections in March. The Government hopes to support and encourage further reform, including WTO accession early this year, followed by opening negotiations on a Free Trade Agreement between the EU and Ukraine, tackling corruption and improving the business environment. There will also be a formal review during the Austrian Presidency of Ukraine's progress under the ENP Action Plan, which identifies areas for reform linked to closer co-operation with the EU, and discussion should start on a replacement for the Partnership and Cooperation Agreement between the EU and Ukraine, which comes up for renewal in 2008.

Iran

169. At the December European Council, leaders agreed on the need to keep the EU's diplomatic options under close review and continue to calibrate the EU's approach in light of Iranian declarations and actions. The EU regards as a negative development the decision by Iran to resume earlier this month enrichment-related research and development activity and its resumption of uranium conversion activity in August 2005. These decisions are contrary to requests repeatedly made by the IAEA Board of Governors and Iran's commitments to the E3/EU. We believe the time has now come to involve the Security Council to reinforce the authority of IAEA resolutions. The EU will continue to pursue the holding of Human Rights and Comprehensive Dialogues in 2006 but if these are not possible then the EU will make clear its concerns in other fora.

East Asia

170. Negotiations on Partnership and Co-operation Agreements with Thailand, Singapore and Indonesia should be completed under the Austrian Presidency. Negotiations with other South East Asian countries, including the Philippines and Vietnam, should begin this year. The Austrian Presidency will need to maintain momentum on the implementation of the EU's East Asia policy guidelines agreed under the UK Presidency and further development of the EU-US and EU-Japan Strategic Dialogues, including at expert level.

China

171. Under the UK Presidency, agreement was reached on a new EU-China framework agreement. This will update and replace the existing but out-dated trade and economic cooperation agreement and position the EU-China relationship in a way that fully reflects the expanding level of partnership across the broader political, economic and social spectrum. The Government expects the EU to begin negotiations with the Chinese on the terms of the framework agreement early this year.

India

172. India's importance to the EU will continue to grow. Both sides are committed to report on progress under the Joint Action Plan at the next EU-India Summit under the Finnish Presidency in Helsinki in the autumn.

Afghanistan

173. The EU was fully involved in discussions on the "Afghanistan Compact" which will be launched at the London Conference on Afghanistan on 31 January. The Compact will establish a new framework for international support for Afghanistan and agree a new mechanism to co-ordinate and monitor international donor activity, probably over a five-year period. This year, the Government will work to ensure the EU's commitment to Afghan Counter-Narcotics is maintained and that support for the Government of Afghanistan's (GoA's) updated National Drugs Control Strategy is increasingly routed through the GoA's Counter Narcotics Trust Fund.

Middle East Peace Process

174. The EU will continue to support both parties in the implementation of the Agreement on Movement and Access (eg on secure linkage between Gaza and the West, Gaza port and airport). The EU will also continue to assist the Palestinian Authority to build its security capacity in coordination with the work of the US Security Co-ordinator, Major-General Dayton. The newly expanded EU civil policing programme (EUPOL COPPS), launched on 1 January, is a crucial part of this effort. The EU will also help the Palestinians in their democracy-building efforts. The EU deployed an EU Observation Mission to the Palestinian Legislative Council Elections on 25 January. Work with the Palestinian Authority on their Medium Term Development Plan should help pave the way for new pledges of international financial support at the donor conference later this year.

175. The EU, working with international Partners, notably the Quartet, will continue to call on both parties to meet their Roadmap obligations, and will continue to play a constructive role in promoting peace, stability and reform in the Middle East.

EuroMed Partnership

176. The Government is committed to the full and early implementation of the commitments agreed at the EuroMed Summit between the EU and our 10 Mediterranean Partners in November last year (see paragraphs 83-84). During 2006, we will work with EuroMed Partners and the Commission to take forward the key commitments from the Summit Work Programme. These include:

- ensuring the implementation of the Code of Conduct on terrorism;
- ensuring that increased funds allocated for education are spent on meeting the objectives and targets set out in the Work Programme;
- implementing the electoral and civil society commitments, including the Governance Facility; and
- ensuring that the negotiations on liberalising services and agriculture stay on track.

177. We will also be seeking to implement a yearly review mechanism, with EuroMed Partners reporting back on how they have implemented the Work Programme.

178. The EuroMed Transport Network, agreed by EuroMed Transport Ministers in December, is due to come into operation this year.

Latin America

179. 2006 should be an important year for democratic consolidation in Latin America, with elections due in many of the region's countries, including Brazil and Mexico. The fourth EU-LAC Summit being held in Vienna in May is the main set-piece event of the Austrian Presidency. The objective of the Summit process is to strengthen further the bi-regional strategic partnership.

Common Foreign and Security Policy (CFSP)

180. At the December European Council, the High Representative presented papers on the four CFSP workstreams agreed at Hampton Court (CFSP financing; crisis management structures; research and capabilities development; and the Western Balkans). He has undertaken to work with us, as the preceding Presidency, as well as the Austrians and the Commission, in taking this work forward. We will work with the European Parliament to ensure an effective CFSP in line with UK objectives. We will investigate how to ensure that funds are released quickly in case of emergency, whether by streamlining existing procedures or by introducing mechanisms.

European Security and Defence Policy (ESDP)

181. The EU will continue to manage its operational activities, conduct reviews of them at regular intervals, and respond as necessary to potential requirements for civilian or military intervention elsewhere (likely to include possible EU support for justice/rule of law and policing in Kosovo). The ESDP Action Plan for Africa will continue to help develop the crisis management capabilities of the African Union and sub-regional organizations. The EU will also continue to build civilian capabilities, set up a pool of rapidly-deployable civilian experts, and address the financing of civilian operations.

182. On military capabilities, the EU will start work on developing the Force Catalogue of Member States' military assets potentially available to meet the needs identified in the Requirements Catalogue. Development of the EU Battlegroups initiative will continue, leading up to Full Operational Capability in 2007. The European Defence Agency will expand its activities this year, strengthening its role in the European capabilities development process. The Austrian and Finnish Presidencies will take forward the tri-Presidency work programme for improving civil-military co-ordination developed with the UK (see paragraph 89), including management of civil-military operations, and the practical application of the concepts on Comprehensive Planning and Security Sector Reform.
183. Work will be taken forward on improving EU defence capabilities as agreed at Hampton Court, notably ensuring the EU's crisis management structures can meet the new demands on them, financing civilian operations rapidly, ensuring the EU is ready to assume greater responsibility in Kosovo, and improving the co-ordination of EU action in the Balkans, especially on organised crime.

Trade

184. Work will continue to build on the outcome of the **Hong Kong WTO Ministerial Conference**, with a view to enabling the Round to be concluded this year. The UK remains committed to significantly increased market access for developing countries, particularly in agriculture; substantial reductions in all trade-distorting subsidies, including the elimination of export subsidies by 2013 (with a substantial part before then) as agreed at Hong Kong, and effective special and differential treatment for developing countries. We are now aiming to reach a more detailed and ambitious agreement in the WTO negotiations by the end of April. The Government will do everything we can to play our part in ensuring this happens.
185. Discussion on **Economic Partnership Agreements** (EPAs) between the EU and the six regional groupings of the African, Caribbean and Pacific (ACP) countries will continue this year with the aim of having EPAs in place from the beginning of 2008. The Government will continue to argue that EPAs must be designed to deliver long-term development, economic growth and poverty reduction in ACP countries, that the EU should take a non-mercantilist approach, and that all countries should be offered maximum flexibility to decide, plan and sequence their trade reform in line with their own national development plans and poverty reduction strategies.
186. A WTO Dispute Panel is expected to rule on 1 February (with the report made public on 1 March) on a complaint lodged by the US, Canada and Argentina against the EU concerning measures affecting the approval and marketing of certain biotech products (**GMOs**).

GLOSSARY OF EU TERMS

Abatement

In 1984 the UK secured an abatement, an adjustment to its net contribution to the EU budget, to correct for imbalances arising in EU Budget expenditure. Broadly, this was two-thirds of the difference between its gross contribution to the EU budget and its receipts from internal spending. In December last year, as part of a deal on the 2007-2013 EU budget, the UK agreed to disapply a proportion of the rebate on **Structural and Cohesion Funding** in the new Member States. The cost of this will be up to a maximum of €10.5bn, or about £7bn, over the seven years of the financing period. Because the abatement stays on the CAP and all spending in the EU 15, the value of the abatement will rise over the period to an average of €5.8bn. This will mean that the UK, for the first time since it joined the EU, will be paying no more than similar sized countries like France and Italy.

Acquis

The phrase *acquis communautaire* refers to the whole range of principles, policies, laws, practices, obligations and objectives that have been agreed within the EU. It includes the Treaties, EU legislation, judgments of the **European Court of Justice** and measures taken in the fields of the **Common Foreign and Security Policy** and Justice and Home Affairs.

Amsterdam Treaty

The Treaty of Amsterdam was agreed in 1997 and entered into force in May 1999. It provided for important changes in the range of matters falling under EC competence – incorporation of the **Schengen** acquis, moving visas and asylum policy to the First Pillar (see **European Union**), an employment chapter, and incorporation of the social protocol. Amsterdam also endorsed “the progressive framing of a common defence policy” and extended the use of **co-decision** and **QMV**.

Berlin Plus arrangements

Under these arrangements the EU has guaranteed access to NATO’s operational planning facilities and a presumption that pre-identified capabilities and common assets will be made available for use in EU-led operations. These arrangements underpin the strategic partnership between the EU and NATO in crisis management.

Co-decision procedure

Introduced by the Treaty of Maastricht, this procedure has been modified by the **Amsterdam Treaty** and now applies to most areas of Community legislation. It involves both the **Council** and **Parliament** proposing amendments to a piece of legislation proposed by the **Commission**. Both need to agree if the draft is to become law. It is a lengthy procedure: it can often take a year or more to approve legislation.

Commission

An EU institution currently made up of 25 Commissioners (one from each Member State). Its President is Jose Manuel Durao Barroso, former Prime Minister of Portugal. The British Commissioner is Peter Mandelson. The Commission is central to the EU’s decision-making process and its conduct of business. It has the tasks of ensuring the Treaties are correctly applied, of proposing new legislation to the **Council** and **European Parliament** for approval, and of exercising implementing powers given it by the Council.

Common Agricultural Policy (CAP)

The aims of the CAP are: to increase agricultural productivity; to ensure a fair standard of living for the agricultural community; to stabilise markets; to assure the availability of supplies; and to ensure that supplies reach consumers at reasonable prices. To achieve these objectives, the CAP is based on three principles: a single market; Community preference; and financial solidarity. The CAP has been successful in generating food production with the EU, but has been much criticised for its environmental consequences and its effects on developing countries.

Common Foreign and Security Policy (CFSP)

An area of intergovernmental activity within the **European Union**, that sees the EU Member States work together to achieve common objectives. CFSP covers all areas of foreign and security policy.

Constitutional Treaty

The Treaty agreed by Heads of Government in June 2004 following an **Inter-Governmental Conference** and signed by them in Rome on 29 October 2004. It has to be ratified by all Member States before it can come into force. The French and Dutch people have voted against it in referendums and the European Council has agreed a “period of reflection” for Member States to evaluate the ramifications.

Copenhagen Criteria

The 1993 Copenhagen European Council agreed that membership of the EU “requires that the candidate country has achieved stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities [the so-called political criteria, which are a precondition to starting accession negotiations], the existence of a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the Union. Membership also presupposes the candidate’s ability to take on the obligations of membership”.

Council of Ministers of the European Union

The primary decision-making body of the Union. It meets in sectoral formats chaired by the **Presidency** and attended by the relevant national ministers. Examples include the Economic/Finance Council (ECOFIN), the Competitiveness Council, and the General Affairs and External Relations Council (GAERC). They are also attended by the **Commission** (usually the relevant Commissioner). Working Groups and the Committee of Permanent Representatives (composed of the Member States’ EU ambassadors) prepare the Council’s work. It is supported by the Council Secretariat.

Doha Development Agenda

The current World Trade Round, launched at a conference of global trade ministers in Doha, Qatar, in November 2001, which seeks to place the concerns of developing countries at the heart of international trade negotiations. The Ministerial meeting in Hong Kong in December 2005 agreed to aim for a detailed agreement in agriculture and non-agricultural market access by the end of April this year.

EU High Representative

The representative of the **Council of Ministers** for **Common Foreign and Security Policy** matters. Javier Solana was appointed High Representative for the CFSP in June 1999 by the Cologne **European Council** and re-appointed for a second term in June 2004. He is also Secretary-General of the Council and, as such, head of the Council Secretariat.

EU15

Sometimes used to refer to the Member States that were Members of the EU before 1 May 2004, when 10 new Member States joined, to bring total membership to 25.

European Council

A summit of Heads of State or Government that has met regularly since the 1970s. It now normally meets four times a year, twice under each six-monthly **Presidency**. Originally an informal gathering, the European Council was given formal recognition in the **Single European Act** of 1986. It has the task of providing the EU with the necessary impetus for its development and defining the necessary general political guidelines for its work. These meetings are sometimes referred to as European Summits. The European Council will normally agree Conclusions, signalling its commitment to a course of action.

European Court of Justice (ECJ)

The European Court of Justice is made up of Judges appointed by the **Member States**. It ensures that the law is observed in the interpretation and application of the Treaties. It therefore rules on questions relating to interpretation of the Treaties and secondary legislation in direct actions and in cases referred to it by national courts. ECJ judgments form part of national law. It also has certain powers in relation to certain Third Pillar measures (see **European Union**), but no jurisdiction over **CFSP**. There is also a Court of First Instance to deal with certain specified issues. Judicial panels are also being set up under reforms introduced by the **Nice Treaty** to deal with specialist cases like employment cases against EC institutions by their staff.

European Parliament (EP)

The European Parliament is composed of 732 members and is directly elected every five years in each Member State. Originally a consultative body, successive Treaties have increased the EP’s role in scrutinising the activities of the **Commission** and extended its legislative and budgetary powers. The Parliament meets in plenary session in Strasbourg and Brussels.

European Security Strategy (ESS)

The ESS was finalised during the Italian **Presidency** and endorsed by the **European Council** in December 2003. It sets out how the EU can build a more coherent, pro-active and capable policy response to global security threats.

European Security and Defence Policy (ESDP)

The European Security and Defence Policy was launched in response to proposals put forward jointly by the Prime Minister and President Chirac in 1998. It centres on strengthening Europe’s capability for crisis management through both NATO and the EU. The policy is designed to give the EU the tools to take on humanitarian and peacekeeping tasks where NATO as a whole is not engaged.

European Union

The European Union was created by the Treaty of Maastricht in 1992. It currently consists of three pillars. The First Pillar is the pre-existing European Community, which covers largely, though by no means exclusively, economic business. The Second Pillar is the **Common Foreign and Security Policy**. The Third Pillar, after amendment by the Treaty of Amsterdam, covers certain police and judicial co-operation in criminal matters. The main difference between the First Pillar and the rest is that under the latter Member States, as well as the Commission, have the right to propose policies. The **European Court of Justice** also only has jurisdiction in the First Pillar and parts of the Third Pillar under certain circumstances. The new **Constitutional Treaty** would dissolve the three pillars to create a single Treaty structure, although key differences between the CFSP and other areas of Union activity would remain.

Europol

EU Member States agreed to establish Europol in the **Maastricht Treaty** of 1992 and the organisation started its full activities in July 1999. It is based in Amsterdam. Its purpose is to improve co-operation between the law-enforcement authorities of the **EU Member States**.

Lisbon economic reform agenda or Lisbon process

In Lisbon in March 2000 the **European Council** set itself a new strategic goal for the next decade: “to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion.” Progress towards this goal is reviewed at successive **Spring European Councils**.

Maastricht Treaty

See **European Union**.

Member State

A country which is a member of the **European Union**.

Nice Treaty

The Treaty of Nice was agreed at the Nice **European Council** in December 2000 and came into force in 2003. It set out new arrangements for the size and composition of the European **Commission**, and agreed reforms to the system of **Qualified Majority Voting in Council** while extending it to a number of new policy areas.

Presidency

This is in effect the chairmanship of the **European Union**. The Presidency rotates every six months among the Member States. The UK held the EU Presidency in the second half of 2005. Austria and Finland will hold it this year. The Presidency chairs most Working Groups, the Committee of Permanent Representatives (composed of the Member States’ Ambassadors to the EU) and meetings of the **Council of Ministers**. The Presidency plays a key role in setting the Union’s agenda and working towards an agreement. The Constitutional Treaty proposes that the European Council has a full-time President (an individual rather than a country), while for all other formations and groups more than one Member State hold the Presidency and it last for at least a year.

Qualified majority voting (QMV)

This is a voting mechanism in the Council under which a proposal can be adopted without every **Member State** agreeing to it. New QMV arrangements agreed in the **Nice Treaty** came into force on 1 November 2004. There are 321 votes in total. 232 votes are needed for a qualified majority and 90 for a blocking minority.

Schengen acquis

“Schengen” is the shorthand for measures originally agreed in 1985, in the Luxembourg village of Schengen, by certain **Member States** on the gradual elimination of border controls at their common frontiers. These agreements were incorporated into the Treaties with the **Amsterdam Treaty** in 1999.

Single European Act

This Treaty, which was agreed in 1986 and entered into force in 1987, was the first substantial revision of the Community Treaties. Among the main changes it made were the initiation of co-operation in environment policy and foreign policy; the extension of **qualified majority voting** (notably to allow the rapid development of the **Single Market**); the granting of a greater role in legislation to the **European Parliament**; and the setting up of the Court of First Instance (see the **European Court of Justice**). It also formally recognised the **European Council**.

Single Market

Shorthand for the EU's commitment to create an internal market in which all obstacles to the free movement of goods, persons, services and capital between Member States have been abolished. The Single Market was largely completed by 1992 but remains incomplete in some areas. A major aim of the **Lisbon Process** is to accelerate its full completion and implementation.

Structural and Cohesion Funding

The European structural funds comprise the European Social Fund, the European Regional Development Fund, the European Agricultural Guidance and Guarantee Fund, and the Cohesion Fund. They provide the channel for the **European Union** to direct money towards its poorest regions. The allocation of the money over 2000-2006 is determined according to three objectives: assisting regions with a GDP of under 75% of the EU average, helping areas facing structural difficulties, and providing education training and employment in those areas not covered by the first objective. In 2007-2013, Structural and Cohesion Funding will be determined according to three similar objectives: convergence (focussed on the EU's poorer regions); competitiveness (focussed on areas of unemployment) and co-operation (focused on border areas).

Subsidiarity

Subsidiarity is the principle whereby, in policy areas where competence is shared between the Union and **Member States**, the Union should only act when "the objectives of the intended action cannot be sufficiently achieved by the Member States" alone. In other words, the Union should only get involved where it can add value.

Troika

Troika – a Russian word for a sledge drawn by three horses – is used to denote a group of three senior EU representatives. For external relations visits, this group usually comprises the Minister of Foreign Affairs from the **Member State** holding the **Presidency, the EU High Representative for Common Foreign and Security Policy**, and the Commissioner for External Relations. It may also include the Minister for Foreign Affairs from the Member State next in line for the Presidency.

Unanimity

A form of voting in the Council. A proposal requiring unanimity must have no **Member State** voting against (abstentions do not matter). See also **Qualified majority voting**.

TIMETABLE OF COUNCIL MEETINGS DURING 2006

Austrian Presidency

10 January	Agriculture and Fisheries Council
12 - 14 January	Informal Justice and Home Affairs Council
19 - 23 January	Informal Meeting of Employment & Social Policy Ministers
23 - 24 January	Agriculture and Fisheries Council
29 January	Informal Meeting of Trade Ministers
30 - 31 January	General Affairs and External Relations Council
14 February	ECOFIN Council
20 - 21 February	Agriculture and Fisheries Council
20 - 21 February	Justice and Home Affairs Council
23 February	Education, Youth and Culture Council
27 - 28 February	General Affairs and External Relations Council
2 - 4 March	Informal Meeting of Transport Ministers
6 - 7 March	Informal Meeting of Defence Ministers
9 March	Environment Council
10 March	Employment, Social Policy, Health and Consumers Council
16 - 17 March	Informal Meeting of Education Ministers
20 - 21 March	Agriculture and Fisheries Council
20 - 21 March	General Affairs and External Relations Council
23 - 24 March	European Council
27 - 28 March	Transport, Telecommunications and Energy Council
29 - 31 March	Informal Meeting of Youth Ministers
7 - 8 April	Informal ECOFIN Council
10 - 11 April	General Affairs and External Relations Council
20 - 22 April	Informal Competitiveness Council
25 April	Agriculture and Fisheries Council
25 - 26 April	Informal Meeting of Health Ministers
27 - 28 April	Justice and Home Affairs Council

5 May 2006	ECOFIN Council
15 - 16 May	General Affairs and External Relations Council
18 - 19 May	Education, Youth and Culture Council
19 - 21 May	Informal Environment Council
22 - 23 May	Agriculture and Fisheries Council
28 - 30 May	Informal Agriculture Council
29 - 30 May	Competitiveness Council
1 - 2 June	Justice and Home Affairs Council
1 - 2 June	Employment, Social Policy, Health and Consumers Council
7 June	ECOFIN Council
8 - 9 June	Transport, Telecommunications and Energy Council
12 - 13 June	General Affairs and External Relations Council
15 - 16 June	European Council
19 - 20 June	Agriculture and Fisheries Council
26 - 27 June	Environment Council
26 - 27 June	General Affairs and External Relations Council
27 June	Competitiveness Council

Finnish Presidency

6 – 8 July	Informal Employment, Social Policy and Health Council
10 July	Informal Competitiveness Council
11 July	ECOFIN Council
14 July	ECOFIN Council
14 – 17 July	Informal Environment Council
17 - 18	General Affairs and External Relations Council
17 – 18 July	Agriculture and Fisheries Council
24 July	Justice and Home Affairs Council
1 - 2 September	Gymnich (Informal Foreign Affairs Council)
8 – 9 September	Informal ECOFIN Council
14 – 15 September	General Affairs and External Relations Council

18 – 19 September	Agriculture and Fisheries Council
20 – 22 September	Informal Justice and Home Affairs Council
24 – 27 September	Informal Agriculture and Fisheries Council
25 September	Competitiveness Council
5 October	Justice And Home Affairs Council
10 October	ECOFIN Council
12 October	Transport, Telecommunications and Energy Council
16 - 17 October	General Affairs and External Relations Council
19 – 20 October	European Council
23 – 24 October	Environment Council
30 October	Agriculture and Fisheries
7 November	ECOFIN Council
13 – 14 November	General Affairs and External Relations Council
13 – 14 November	Education, Youth and Culture Council
20 – 21 November	Agriculture and Fisheries Council
21 November	ECOFIN Council
23 November	Transport, Telecommunications and Energy Council
28 November	ECOFIN Council
30 Nov - 1 December	Employment, Social Policy and Consumer Affairs Council
3 December	Informal Meeting of Telecommunications Ministers
4 – 5 December	Transport, Telecommunications and Energy Council
4 – 5 December	Informal Education Council
11 – 12 December	General Affairs and External Relations Council
11 – 12 December	Competitiveness Council
14 – 15 December	European Council
18 December	Environment Council
19 – 21 December	Agriculture and Fisheries Council



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