

General Report on the Activities of the European Union

2005



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European Commission

General Report
on the Activities of
the European Union

2005

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The President of the European Commission to the President of the European Parliament

Sir,

I have the honour to present the *General Report on the Activities of the European Union* for 2005, which the Commission is required to publish by Article 212 of the EC Treaty and Article 125 of the EAEC Treaty ⁽¹⁾.

Yours faithfully,

Brussels, 14 February 2006

A handwritten signature in black ink, consisting of a series of connected loops and a long horizontal stroke that ends in a small hook.

José Manuel Barroso
President

⁽¹⁾ In accordance with the procedure described in the declaration on the system for fixing Community farm prices contained in the accession documents of 22 January 1972, the Commission will shortly be sending Parliament the 2005 *Report on the Agricultural Situation in the European Union*. And, in accordance with an undertaking given to Parliament on 7 June 1971, the Commission is preparing its *XXXVth Annual Report on Competition Policy*.

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Introduction

For the European Union 2005 — the year in which the Presidency of the Council (European Council and Council of Ministers) was held in the first six months by Luxembourg under the stewardship of Jean-Claude Juncker and in the second by the United Kingdom under Tony Blair — was its first full year of operation with 25 Member States. For both the European Parliament, elected in June the previous year and presided by Josep Borrell, and the European Commission, appointed in the autumn of 2004 and presided by José Manuel Barroso, after a run-in period in the final months of 2004 it was the first — in practice almost simultaneous — phase of their five-year mandate.

The halting of the process of ratifying the Treaty establishing a Constitution for Europe following the ‘no’ votes in the referendums in France and the Netherlands was a defining moment. But these events, and the launching of the ensuing period of reflection on the future of the institutional process, did not paralyse the Union. Instead they highlighted and in effect reinforced the importance of realigning the processes already embarked upon in accordance with the four guiding principles which the European institutions consider essential in responding to public concerns and which provide the structure for their action: prosperity, solidarity, security and the presence of Europe in the world.

The approach adopted in this year’s Report is more concise than in the past given the abundance of detailed information available on the websites of the European Union institutions ⁽¹⁾. Nevertheless, the full range of Union activities in 2005 is covered in the body of the text. The introduction, meanwhile, is confined to highlighting some of the key initiatives and achievements which punctuated the last 12 months.

Foremost among these are the relaunch of the Lisbon strategy in its three dimensions — economic, social and environmental — a strategy which itself falls into the wider framework of sustainable development, and in parallel the update of the stability pact and a vigorous drive by the institutions aimed at better lawmaking, presentation of a

⁽¹⁾ The *Bulletin of the European Union* in particular (<http://europa.eu.int/abc/doc/off/bull/en/welcome.htm>) provides a detailed chronological summary of all Community activities and programmes, with links to official texts and hyperlinks to related information and databases.

new social agenda and the promotion of environmental policy, notably the adoption of thematic strategies and the pursuit of international action on climate change.

Five years after the launch of the Lisbon strategy, faced with the mixed results of the mid-term review, the Heads of State or Government decided that it was vital to relaunch the process and refocus priorities on growth and employment. The Union must renew the basis of its competitiveness, increase its growth potential and productivity, and strengthen its social cohesion. To help it achieve these objectives, the Union is now striving to mobilise all the appropriate national and Community resources, including the cohesion policy, and do more to tap into their synergies in a general context of sustainable development. The Commission communication to the March 2005 European Council 'Working together for growth and jobs — A new start for the Lisbon strategy' ⁽¹⁾ was used as a basis by the European Council to determine the vital elements of the relaunch: knowledge and innovation as engines of sustainable growth; making Europe an attractive area in which to invest and work; growth and employment promoting social cohesion. The will to breathe new life into this initiative is reflected in the effort to ensure complementarity as regards both the different public, social and economic players and the different strands of Union action; this action is in turn built around an integrated package of guidelines comprising broad economic policy guidelines and employment guidelines used by the Member States to draw up coherent national reform programmes. The relaunch itself is to be seen in the wider context of the need for sustainable development and the guiding principles approved by the European Council in June, namely that present needs should be met without compromising the ability of future generations to meet their own needs when the time comes.

On the macroeconomic front, after the difficulties and inadequacies identified in recent years in implementing the Stability and Growth Pact, the basic provisions were updated this year to enable it to be applied fairly and consistently in all countries and to be understood by the general public. The reform allows more account to be taken of economic trends, though the two lynchpins of the pact — the 3 % reference figure for the deficit-to-GNP (gross national product) ratio and the 60 % reference figure for the debt-to-GNP ratio — have been maintained. Changes were made to the pact's preventive arm introducing the possibility of differentiating the medium-term budgetary objectives to take into account the diversity of economic and budgetary positions and their sustainability, and even the possibility of temporarily deviating from these budgetary objectives subject to certain conditions.

Under the general heading of 'better lawmaking' the Commission launched a series of initiatives (including impact analysis and simplification), continuing action initiated in 2002 with the other institutions to improve regulation and the quality of legislation,

⁽¹⁾ COM(2005) 24.

enhance the benefits for the general public, increase compliance and effectiveness, and cut costs in accordance with the principles of proportionality and subsidiarity.

In the area of security, the Commission presented a five-year action plan to give effect to the highly ambitious Hague programme designed to boost freedom, security and justice within and outside the European Union, with particular reference to fundamental rights and citizenship, in accordance with the guidelines adopted by the European Council in November 2004. There was also a collective effort to combat terrorism, which this year once again killed and wounded people in Europe, an effort that goes hand in hand with respect for the rule of law and human rights. Following a series of disasters in the first half of the year, attempts were made to improve safety in public transport, particularly air transport. In the public health sphere, special vigilance and preventive measures, including a ban on imports of certain categories of birds, were put in place to deal with the pandemic threat following outbreaks of avian influenza.

Turning to the Union's external relations, the main events of 2005 were the opening of accession negotiations with Croatia and Turkey and the pursuit of a policy with the western Balkans designed to offer the countries there the prospects of a European future in the form of partnerships: Albania, Bosnia and Herzegovina, the Former Yugoslav Republic of Macedonia, and Serbia and Montenegro, including Kosovo⁽¹⁾. In 2005, the 10th anniversary of the Barcelona process governing relations with the countries of the Mediterranean, the neighbourhood policy, one of the core priorities of external policy instrumental in anchoring stability, security and greater prosperity for the region as a whole, reached a decisive stage. Seven action plans are now running (Israel, Jordan, Moldova, Morocco, the Palestinian Authority, Tunisia and Ukraine), and five more are in the process of preparation (Armenia, Azerbaijan, Egypt, Georgia and Lebanon). The ministerial negotiations for the revision of the Cotonou Agreement between the European Union and 77 African, Caribbean and Pacific (ACP) countries, designed primarily to enhance the effectiveness and quality of the European Union–ACP partnership, were brought to a successful conclusion in February.

Attention was also focused on strengthening partnerships with our strategic allies such as the United States and pursuing an open dialogue with major new partners such as China and India in a trade environment that was particularly sensitive as a result of the economic and social situation in Europe and the World Trade Organisation (WTO) negotiations. Managing the consequences of the expiry of the WTO textiles agreement at the beginning of the year, including the negotiation of a memorandum with China, was a regular item on the agenda.

The European Union played a key role at the UN summit in September, thanks to substantial groundwork on its part and to its undertaking to speed up progress

(1) The status of Kosovo is governed by UN Security Council Resolution 1244.

towards the millennium development goals (MDGs). The commitment to doubling Union assistance to developing countries between 2004 and 2010, the adoption of a joint declaration by the European Parliament, the Council and the Commission expressing a 'European consensus', and the adoption of a strategy for Africa were among the defining moments for the Union's development policy. The Union also continued its activities on the humanitarian aid front, where it remains one of the world's leading contributors. Terrible man-made and natural disasters once again affected many regions of the world. As always, the Union acted to respond rapidly to the major catastrophes, including the tsunami and the earthquake in south Asia, and to play its part behind the scenes in what have come to be known as the forgotten crises and which always cause terrible human suffering. The Union's commitment to increase the consistency and coherence of its development policies and to match other policies to the MDG objectives and timetable represented a further major step forward.

Given the new threats that have emerged and were identified in the European defence and security strategy adopted by the European Council in December 2003, efforts in the field of the common foreign and security policy continued, relating in particular to the first annual work programme of the European Defence Agency, preparations to establish a rapid response capacity based on 13 task forces, and the eight theatres of operation where the European Union is active, in particular in Bosnia and Herzegovina, where it has taken over from the multinational Stabilisation Force (SFOR) led by the North Atlantic Treaty Organisation (NATO), to help maintain a security environment based on the Dayton accords.

The decision to confine this introduction to a few typical examples of key interventions by the Union this year means that it is not possible to list all the areas of Community activity; they are to be found in the specific chapters of the Report itself. But mention must be made of the new dialogue- and public debate-oriented approach to information and communication on Europe as it represents an important development in relations between the Union and its citizens. This approach was given practical expression in 'Plan D for democracy, dialogue and debate', which now has to be widely activated and will be followed by a Commission White Paper in 2006.

At their informal meeting in Hampton Court, the Heads of State or Government analysed together the place and role of the European Union in this globalised world, perceived with such apprehension by its citizens and compounded by the major challenges currently on its agenda, not least demographic trends and climate change. A number of priorities for future Community action emerged, foremost among them the need to elaborate a coherent energy policy and make a special investment in science and innovation, higher education, border management and better management of international migration; and then there is coherent action by the Union as a player on the world scene, particularly important as there is a major external dimension to most of its internal policies, including the environment and

transport, the completion or continuation of major industrial projects such as Galileo and ESAR, migration and energy, to mention only some. These subjects will doubtless be central to the next General Report, which will, when the time comes, address the activities of the European Union in 2006.

Nor must it be forgotten that the Community venture needs stable resources to match the challenges it faces and the ambitions it is expected to achieve. Hence the need for the Union to be granted the multiannual financial framework for 2007–13 negotiated throughout 2005, on which the December European Council reached a consensus ⁽¹⁾; this has still to be given formal shape in an interinstitutional agreement.

References

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- European Commission — ‘Strategic objectives 2005–09’: COM(2005) 12.
- European Commission — ‘Work programme for 2005’: COM(2005) 15.
- Contribution of the Commission to the October meeting of Heads of State or Government — ‘European values in the globalised world’: COM(2005) 525.

⁽¹⁾ http://ue.eu.int/cms3_applications/Applications/newsRoom/loadBook.asp?target=2005&bid=76&lang=2&cmsID=347

Chapter I

Institutional dimension, governance and democracy

Section 1

Life of the institutions

General

Language rules

On 13 June the Council conferred official-language status on Irish, which will also be a working language of the European Union, with effect from 2007 ⁽¹⁾. This raises the number of official languages to 21. In conclusions adopted the same day, the Council expressed the view that, in the framework of efforts being made to bring the Union closer to all its citizens, the richness of its linguistic diversity must be taken more into consideration; it accordingly accepted that, on the basis of administrative arrangements to be agreed between the institution concerned and the requesting Member States, citizens should be allowed to use additional languages in use at national or regional level in their relations with the Community institutions. The Committee of the Regions signed an agreement with the Spanish government in November approving the use of Spanish regional languages in the Committee.

European Parliament

Composition of Parliament

The distribution of the 732 seats among the political groups at 31 December was as follows:

⁽¹⁾ Regulation (EC) No 920/2005 (OJ L 156, 18.6.2005).

| | |
|--|-----|
| ● European People's Party (Christian Democrats) and European Democrats (EPP-ED), chaired by Mr Pöttering | 264 |
| ● Party of European Socialists (PES), chaired by Mr Schulz | 200 |
| ● Alliance of Liberals and Democrats for Europe (ALDE), chaired by Mr Watson | 90 |
| ● Confederal Group of the European United Left/Nordic Green Left (GUE/NGL), chaired by Mr Wurtz | 42 |
| ● Greens/European Free Alliance (Greens/EFA), co-chaired by Ms Frassoni and Mr Cohn-Bendit | 41 |
| ● Union for Europe of the Nations (UEN), co-chaired by Ms Muscardini and Mr Crowley | 33 |
| ● Independence and Democracy (ID), chaired by Mr Bonde and Mr Farage | 30 |
| ● non-attached (NI) | 32 |

Statute of Members

On 23 June Parliament adopted the Statute for its Members. The new rules, approved by the Council on 18 July, cover the freedom and independence of MEPs, exercise of the right of initiative, linguistic diversity, and remuneration and expenses.

Parliament's work

A breakdown of Parliament's work in 2005 is given in the table below.

In 2005 Parliament addressed 5 313 questions to the Commission: 4 493 written questions, 80 oral questions with debate and 740 during question time. Parliament addressed 1 033 questions to the Council: 543 written questions, 37 oral questions with debate and 453 during question time.

The Commission sent Parliament a total of 378 communications in the course of the year and answered a total of 212 requests for additional information.

Parliament's Committee on Petitions asked the Commission to undertake preliminary investigations and supply information on 325 new petitions. In March, Parliament adopted its report on the deliberations of the Committee on Petitions during the 2003/04 parliamentary year.

Regarding the prosperity objective, Parliament expressed opinions on a wide range of topics including the mid-term review of the Lisbon strategy, education as the cornerstone of the Lisbon process, European research policy, broad economic policy guidelines and employment policy guidelines, public finance, climate change, energy efficiency and renewable and alternative energy sources, information and communication strategy on the euro and economic and monetary union,

strengthening European competitiveness following industrial change, patents for biotechnological inventions, and the transition to digital broadcasting.

The legislative highlights in this area were the compromise worked out at first reading on REACH following a marathon voting session in November and the rejection at second reading of the proposal on the patentability of computer-implemented inventions. Parliament also rejected at first reading the proposal on contractual quality requirements for railway freight services and the proposal on humane trapping standards for certain animal species.

The main solidarity-related topics addressed by Parliament included the social dimension of globalisation, managing economic migration and the links between legal and illegal migration, the internal market, social inclusion and consumer protection in the new Member States, the social policy agenda 2006–10, cultural diversity, the promotion and protection of fundamental rights, the protection of minorities, in particular the Roma, and anti-discrimination policies in an enlarged Europe, territorial cohesion and the role of direct state aid as a tool of regional development, and the urban dimension in the context of enlargement.

Turning to security, Parliament addressed a number of topical issues including combating terrorism, progress made in 2004 in creating an area of freedom, security and justice, the Commission action plan on the Hague programme, the European security strategy, protection of the Communities' financial interests and the fight against fraud, and the strategy against an influenza pandemic. A resolution adopted in December declared Parliament's intention to set up a temporary committee to conduct an inquiry into the presumed use of European countries by the United States' Central Intelligence Agency (CIA) for the transportation and illegal detention of prisoners.

At the December part-session serious progress was made on the legislative front, particularly with the completion of Parliament's first reading of the proposal concerning the retention of data processed in connection with the provision of public communications services. The text adopted reflects a prior compromise with the Council enabling the two branches of the legislature to agree on the proposal at first reading. Parliament had previously rejected an initiative by France, Ireland, Sweden and the United Kingdom for the adoption of a Council framework decision on the same subject.

Major debates concerning the Union as a partner on the world scene concerned transatlantic relations, European Union–Russia relations, the situation in the Middle East, relations between the Union and the Mediterranean region and the Barcelona process revisited, the new strategy for Africa and European development policy, regional integration in the western Balkans, developments in the common foreign and security policy, reform of the United Nations and the millennium development goals, Union engagement in Iraq, and the Union's northern dimension.

At its April part-session Parliament gave its assent to the applications for membership of the Union made by Bulgaria and Romania. In July and December it went on to pass resolutions on the accession process and readiness for accession in the two countries. In September it passed a resolution by a large majority on the opening of negotiations with Turkey, but held over its vote on assent to the additional protocol to the association agreement between the European Community and Turkey following enlargement. It gave its assent to the conclusion of the protocol to the stabilisation and association agreement between the European Communities and Croatia to take account of enlargement. It also gave its assent to the conclusion of the framework agreement on the general principles for the participation of Croatia in Community programmes. Another significant decision was Parliament's approval of mobilisation of the flexibility instrument in favour of the rehabilitation and reconstruction assistance to tsunami-affected countries.

Parliament's relations with the other institutions ⁽¹⁾

On the interinstitutional front, Parliament passed a number of resolutions on the programmes of the Luxembourg and United Kingdom Presidencies of the Council and the outcome of the European Council held on 22 and 23 March.

It also debated the following questions: the work programmes and achievements of the Luxembourg and United Kingdom Presidencies, preparations for the European Councils of 16 and 17 June and 15 and 16 December, and preparations for and outcome of the informal European Council at Hampton Court on 27 October, the 2003 activity report of the European Investment Bank, the 2004 annual report on the activities of the European Ombudsman (in the presence of Mr Diamandouros, who was re-elected Ombudsman at the January part-session), and the Court of Auditors 2004 annual report, presented by its President, Mr Weber.

Parliament sent out a number of strong political signals in resolutions adopted on the future of Europe 60 years after the Second World War, the future of the Balkans 10 years after Srebrenica, the 25th anniversary of Solidarność and its message for Europe, and the memory of the Holocaust, anti-Semitism and racism.

On the budgetary front, the European Parliament not only adopted the 2006 budget and approved the discharge for 2003 but also passed major resolutions on the financial implications of the accession of Bulgaria and Romania, and the policy challenges and budgetary means of the enlarged Union for 2007–13.

At the December part-session the 2005 Sakharov Prize was awarded to the Cuban opposition movement 'Damas de Blanco', the Nigerian human rights lawyer Ms Hauwa Ibrahim, and the international organisation 'Reporters sans Frontiers'. The President of

⁽¹⁾ Relations with the Commission are discussed under 'Interinstitutional cooperation' in this chapter of the Report.

Ukraine, Viktor Yushchenko, addressed a special sitting of the European Parliament in February, as did Grand Duke Henri of Luxembourg and Hamid Karzai, President of Afghanistan, in May, Carlo Azeglio Ciampi, President of Italy, in July, and Ricardo Lagos Escobar, President of Chile, in October.

Staffing

At 31 December the establishment plan of Parliament's Secretariat comprised 4 696 permanent posts and 121 temporary posts.

Council and European Council

The Council was chaired by Luxembourg in the first half of 2005 and by the United Kingdom in the second half. It held a total of 75 meetings in its various configurations.

The European Council held four meetings in 2005:

22 and 23 March

The European Council met in Brussels with Mr Juncker, Prime Minister of Luxembourg, in the chair. The agenda was dominated by economic issues, more specifically the relaunch of the Lisbon strategy. The European Council also endorsed a reform of the Stability and Growth Pact, considered the social agenda presented by the Commission and the need for better governance, and confirmed the importance attached by the European Union to sustainable development.

16 and 17 June

The European Council met in Brussels with Mr Juncker, Prime Minister of Luxembourg, in the chair. It focused primarily on two sensitive issues: ratification of the European Constitution following the negative outcome of the French and Dutch referendums, which was to open a period of reflection for all concerned, and the financial perspective for 2007–13, on which it failed to reach an agreement. The European Council endorsed the integrated guidelines for growth and employment and the action plan implementing the Hague programme for strengthening the area of freedom, security and justice, and considered issues relating to the fight against terrorism.

Informal meeting at Hampton Court, United Kingdom (27 October)

The Heads of State or Government met just outside London at the invitation of Tony Blair, Prime Minister of the United Kingdom, to consider the European Union's response to the challenges of globalisation and the ageing of the population. Other issues, including energy security, research, the role of universities and the multilateral trade negotiations, were also addressed.

Table 1

Parliamentary proceedings from January to December — Resolutions and decisions adopted

| Part-session | Legislation | | | | Other procedures | | | | Total | | |
|-------------------|-----------------------------|------------------------------|-------------------------------|------------------------------|------------------|----------------------|---------------------------|-------------------------------|-----------|--------------|---------------|
| | Cooperation | | Co-decision | | Approved | Budget and discharge | Own-initiative procedures | Resolutions Articles 103, 108 | | Human rights | Miscellaneous |
| | Consultation ⁽¹⁾ | First reading ⁽²⁾ | Second reading ⁽²⁾ | First reading ⁽²⁾ | | | | | | | |
| January I | | | | 1 | 1 | | 1 | 6 | 3 | | 12 |
| January II | | | | 3 | | | | 2 | | | 6 |
| February | 9 | | 5 | 4 | 5 | | 7 | 7 | 3 | 1 | 41 |
| March | 1 | | 2 | 2 | 3 | | 6 | 6 | 3 | | 23 |
| April I | 7 | | 4 | 4 | 2 | | 7 | 6 | 3 | | 57 |
| April II | 6 | | 1 | 1 | 1 | | 4 | 2 | | | 15 |
| May I | 5 | | 7 | 2 | 5 | | 3 | 7 | 3 | | 33 |
| May II | 5 | | 6 | 4 | | | 4 | 3 | | 1 | 23 |
| June I | 7 | 1 | 5 | 1 | | | 13 | 4 | 3 | | 34 |
| June II | 5 | | 4 | | | | 3 | 1 | | | 16 |
| July | 10 | | 8 | 2 | 3 | | 7 | 9 | 3 | 4 | 47 |
| September I | 9 | | 4 | 2 | 3 | | 6 | 1 | 3 | 3 | 34 |
| September II | 6 | | 7 | | | | 5 | 6 | 3 | 1 | 28 |
| October I | 7 | | 1 | | | | 6 | 3 | | 3 | 20 |
| October II | 2 | | 8 | 3 | | | 3 | 4 | 3 | | 27 |
| November I | 5 | | 7 | | | | 10 | 3 | 3 | 1 | 30 |
| November II | 5 | | 1 | | 1 | | 5 | 6 | | 2 | 22 |
| December | 24 | | 20 | 5 | | | 2 | 7 | 4 | 2 | 67 |
| Total 2005 | 113 | 1 | 90 | 32 | 24 | 43 | 97 | 80 | 36 | 18 | 535 |

⁽¹⁾ Including 63 cases in which Parliament proposed amendments to the Commission proposal and 3 cases in which it rejected the proposal.

⁽²⁾ Including 1 case in which Parliament proposed amendments to the Commission proposal.

⁽³⁾ Including 77 cases in which Parliament proposed amendments to the Commission proposal and 1 case in which it rejected the proposal.

⁽⁴⁾ Including 25 cases in which Parliament amended the Council's common position and 1 case in which it rejected the common position.

The Heads of State or Government worked on the basis of a contribution from the Commission — ‘European values in the globalised world’ ⁽¹⁾ (see also ‘Introduction’ to this Report).

15 and 16 December

The European Council met in Brussels with Mr Blair, Prime Minister of the United Kingdom, in the chair. The key event was the adoption of a consensus on the financial perspective for 2007–13. But the decision on reduced rates of VAT was deferred. The European Council also adopted a European Union strategy for Africa, a global approach to migration, a declaration on the Mediterranean and the Middle East, a counter-terrorism strategy, and a strategy to combat illicit accumulation and trafficking of small arms. It considered issues including the future of Europe, sustainable development, climate change and sustainable energy, and progress on the Lisbon strategy for growth and jobs. And it decided to grant candidate country status to the Former Yugoslav Republic of Macedonia.

Commission

Strategic objectives 2005–09

On 26 January the Commission presented a communication to the European Parliament setting out the strategic objectives it was planning to pursue for its five years in office ⁽²⁾. Given its ambition to help create a partnership for European renewal involving all those concerned (Community institutions, Member States, civil society and the citizens themselves), it has decided to focus its activities on the key objectives of prosperity, solidarity and security, and on the Union’s role in the world. Special emphasis is to be placed on implementing existing legislation and on rigorously applying the rules designed to improve the regulatory framework.

Work programme for 2005

At the same time as its strategic objectives, the Commission set out the priorities, prospects and key challenges of its work programme for 2005 and the legislative and non-legislative proposals likely to be presented in the course of the year ⁽³⁾, focusing on implementation and delivery in the interests of better regulation. The programme attaches special priority to growth and employment to be secured by injecting new vigour into the Lisbon strategy. The work programme was endorsed by the European Parliament and the Committee of the Regions in February.

⁽¹⁾ COM(2005) 525.

⁽²⁾ COM(2005) 12.

⁽³⁾ COM(2005) 15.

Strategic planning and programming for 2006

On 2 March, as the first stage in its annual policy cycle, the Commission adopted its annual policy strategy for 2006 ⁽¹⁾. The aim is to establish the policy priorities for 2006, identify the initiatives to attain them and determine the requisite budgetary guidelines. The strategy reflects the priorities underlying the Commission's five-year strategic objectives (see above).

On 25 October the Commission presented its legislative and work programme for 2006, headlined 'Unlocking Europe's full potential' ⁽²⁾, drawing inspiration from, among other sources, the debates held by the European Parliament and the Council on its annual policy strategy.

Legislative activity

The Commission met 43 times during the year. It sent 411 proposals for directives, regulations and decisions and made six recommendations. It also presented 288 communications and reports, 14 Green Papers and two White Papers. In addition to the new initiatives, programmes and action plans adopted by the Commission, the debates launched and the ongoing activities pursued under its work programme for 2005, these figures include proposals for routine management instruments (especially in the fields of agriculture, fisheries, customs and commercial policy) and proposals for consolidating existing legislation.

Staff policy and human resources management

In 2005 the Commission had 17 571 permanent administrative posts and 366 temporary administrative posts, and 3 705 permanent research posts and 50 temporary research posts. There were also 1 981 permanent posts and 147 temporary posts for offices attached to the Commission, and 2 224 and 100 posts in decentralised bodies and executive agencies respectively.

Twenty Commission officials are currently seconded to national administrations and international organisations under the staff exchange scheme, and 979 national experts are working at the Commission. More than 200 national civil servants had the opportunity to see the working of the Commission from the inside in 2005 under its 'structural' in-service training scheme.

The Commission adopted a further communication on the recruitment of staff from the new Member States ⁽³⁾, following on from the two communications adopted in 2004 ⁽⁴⁾. These communications set out the methodology and procedures for the

⁽¹⁾ COM(2005) 73.

⁽²⁾ COM(2005) 531.

⁽³⁾ SEC(2005) 811.

⁽⁴⁾ SEC(2004) 253 and SEC(2004) 1602.

recruitment of senior officials and the principles to be applied during a transitional period. They also set general recruitment targets and targets for middle management for 2004 and 2005. The general targets have been broadly attained, but the targets for middle management are behind schedule and are being monitored carefully.

Following adoption of the new Staff Regulations of Officials and Conditions of Employment of Other Servants in 2004, the Commission has begun the process of consolidating and spelling out the measures to give effect to the reform and developing a service-oriented administrative culture. The purpose of the simplification is to increase efficiency and staff satisfaction by offering a better-targeted response to requirements and maximising flexibility. These measures are the precursors to further developments on transparency and communication between staff and the administration and on greater professionalism in human resource management functions, for which there is to be a specific action plan.

This was the first year of application of the fourth action programme for equal opportunities for women and men at the Commission (2004–08). By the end of the year most departments had appointed correspondents, established networks and devised internal action plans.

Court of Justice and other courts

Case-law of the Court of Justice

The Court of Justice gave two landmark judgments in cases concerning police cooperation:

- in *Pupino* ⁽¹⁾, the Court held that it has jurisdiction to interpret framework decisions even though they have no direct effect and confirmed the principle that national law must be interpreted in a manner compatible with Union law, applying it for the first time in the context of police and judicial cooperation in criminal matters;
- in *Miraglia* ⁽²⁾, it clarified the scope of the *ne bis in idem* principle enshrined in Article 54 of the Convention implementing the Schengen Agreement, holding that the article does not apply to a decision by the judicial authorities in a Member State that a case is closed without examination of the merits on the sole ground that criminal proceedings have been commenced in another Member State against the same person for the same facts.

In an infringement proceeding under Article 228 of the Treaty, the Court for the first time ordered a Member State to pay both a periodic penalty payment and a lump

⁽¹⁾ Case C-105/03.

⁽²⁾ Case C-469/03.

sum fine for a serious and persistent failure to comply with Community law (structural inadequacy of controls of fishery catches) ⁽¹⁾.

Concerning Community competence, the Court acknowledged that the Community has the power to provide for criminal penalties to combat serious environmental offences which it considers necessary in order to ensure that the rules which it lays down on environmental protection are fully effective ⁽²⁾.

On the internal market and taxation, the Court ruled that, although in certain circumstances Member States may restrict the right of a resident parent company to deduct losses incurred by a subsidiary established abroad from its taxable profits, such a restriction on the freedom of establishment is disproportionate if the parent company can show that the losses have not been and cannot be taken into account in the Member State of the subsidiary ⁽³⁾.

Case-law of the European Court of Human Rights

On 30 June the European Court of Human Rights gave judgment in a leading case on the review of Community legislation in relation to the European Human Rights Convention ⁽⁴⁾. The Court developed and clarified its doctrine on this question of principle. It held that acts of the Community institutions to which effect has been given by national implementing measures by the Member States are not per se exempt from review for convention compliance by the Court. Given that the Community offers human rights protection equivalent to the European Human Rights Convention, the Court established a presumption that Community instruments and national implementing measures are compatible with the convention. But the presumption may be rebutted where, in the circumstances of a specific case, the protection of fundamental rights in the Community is manifestly inadequate.

Court of First Instance

Mr Emmanuel Coulon took up the function of Registrar of the Court of First Instance on 6 October.

European Civil Service Tribunal

The European Civil Service Tribunal, established by Council decision of 2 November 2004 ⁽⁵⁾, became operational in 2005. It has seven judges: Mr Paul Mahoney (President of the Tribunal), Mr Horstpeter Kreppel and Mr Sean Van

⁽¹⁾ Case C-304/02 *Commission v French Republic*.

⁽²⁾ Case C-176/03 *Commission v Council*.

⁽³⁾ Case C-446/03 *Marks & Spencer plc*.

⁽⁴⁾ *Bosphorus v Ireland*.

⁽⁵⁾ Decision 2004/752/EC, Euratom (OJ L 333, 9.11.2004).

Raepenbusch (Presidents of Chambers), Ms Irena Boruta, Mr Heikki Kanninen, Mr Haris Tagaras and Mr Stéphane Gervasoni (Judges) and Ms Waltraud Hakenberg (Registrar).

Staffing of the courts

At 31 December the Court of Justice, the Court of First Instance and the Civil Service Tribunal had 1 332 permanent posts and 411 temporary posts.

Court of Auditors

New President

On 14 January Mr Hubert Weber, Austrian Member of the Court of Auditors, was elected President of the Court for a three-year term by his fellow Members.

Annual report

On 15 November the President of the Court of Auditors presented its annual report for 2004 to the European Parliament. The report highlights the improvements in the expenditure supervisory and control systems. However, even though the administrative and financial reform process launched in 2000 was beginning to bear fruit, the Court considered that further efforts were needed, particularly in the Member States, which are also responsible for controls on Community funds managed by a growing number of national authorities and bodies. The Court welcomed the Commission's publication of a roadmap for integrated internal control, which lays the bases for extending the reform to all forms of budgetary management, in particular shared management in the Member States.

Special reports

The special reports produced by the Court of Auditors in 2005 concerned:

- management of the European Anti-Fraud Office;
- European Development Fund budget aid to African, Caribbean and Pacific countries (public finance reform);
- rural development (agri-environment expenditure);
- management of economic cooperation in Asia;
- interpretation expenditure by the institutions.

Specific annual reports

The specific annual reports produced by the Court of Auditors in 2005 concerned the annual accounts of the various European Union bodies and agencies for 2004.

Opinions

In 2005 the Court of Auditors issued some 10 opinions on legislative proposals with financial implications, including the proposal for a regulation on the financing of the common agricultural policy and the proposal for a decision on the system of the European Communities' own resources.

European Economic and Social Committee

The Committee was particularly active in 2005. At its nine plenary sessions, it adopted a large number of opinions relating to the Union's main policies. It made a substantial contribution to the debates on the Lisbon strategy — after the Commission and indeed the European Council had asked it to do so — and on the strategy for sustainable development. At least one Member of the Commission attended every session, following a request from President Barroso to Members to take part in the Committee's activities. Vice-President Margot Wallström, who set out the broad lines of the Commission's communication policy, and Ms Danuta Hübner, who outlined the policy on economic and social cohesion, were among those who attended Committee meetings.

The Committee also contributed actively to Plan D and to the Union's communication policy⁽¹⁾. It organised the Stakeholders' Forum under the auspices of its President, Ms Anne-Marie Sigmund, on the need to bridge the gap between Europe and its citizens. The forum took place on 7 November and was a success in terms both of its innovative form and of its substance, with organised civil society widely represented.

Finally, throughout the year the Committee organised and facilitated meetings of the liaison group, through which it communicates and interacts with the main non-governmental organisations (NGOs) in civil society. The group enhances the Committee's role as privileged institutional intermediary vis-à-vis organised civil society.

The Committee's total staff complement of 636 posts breaks down as follows: 493 officials, 124 temporary staff, 18 vacant posts and 1 *hors cadre* (Secretary-General).

Committee of the Regions

At the five plenary sessions held in 2005 the Committee addressed a number of subjects of major importance, focusing particularly on the policy challenges and budgetary means of the enlarged Union 2007–13, the REACH initiative, the Structural Funds, the working time directive, the thorny issue of restructuring and employment, and the roadmap for state aid reform 2005–09.

(1) See 'Information and communication' in this chapter of the Report.

The Committee also undertook a number of larger scale activities including the ‘structured dialogue’ sessions with the Commission and European and national associations of regional and local authorities (February and November). It examined at length the application and review of the subsidiarity and proportionality principles, and the role of regional parliaments with legislative powers in the democratic life of the Union, drafting an opinion that prompted considerable controversy between regions with and without legislative powers.

Commission Members regularly attended plenary sessions. The President of the Commission, Mr Barroso, presented the broad lines of the Commission’s annual work programme and legislative programme at the February session. Ms Hübner, responsible for regional policy, was particularly attentive to the Committee’s activities: she addressed the April session, giving the Committee an opportunity to put the spotlight on the economic and social cohesion policy; she then stood in at the last minute for Vice-President Wallström at the July session, where she called for the new protocol of cooperation between the Commission and the Committee to be signed in the autumn, and informed the Committee that the Commission would be attentive to its contributions and proposals in the context of its communication policy; and at the October session she highlighted the key role played by the towns and the regions in relation to regional policy and the Lisbon agenda. The November plenary was attended by Ms Wallström, who addressed the Committee on the White Paper on communication, and President Barroso, who outlined the Commission’s work programme for 2006, stating that he stood by the objectives set at the beginning of his term of office: prosperity, solidarity in an enlarged Union, and structured dialogue with associations.

European Central Bank

The European Central Bank (ECB) continued to operate a monetary policy based on maintaining medium-term price stability — its primary objective — thereby contributing to promoting growth and employment in the euro area. Proceeding from its ongoing assessment of the risks to price stability, the Governing Council of the ECB took measures to attain this objective. The ECB also continued to secure transparency in its monetary policy by making public the economic and monetary analyses underlying its decisions at the regular press conferences given by its President, in its monthly Bulletin, in a variety of publications and in speeches given by members of the Governing Council. The ECB President addressed the European Parliament’s Economic and Monetary Affairs Committee as part of the Bank’s regular reporting obligations.

Target ⁽¹⁾, one of the world’s largest payment systems, continued to contribute to integrating the euro market and to play a significant role in the sound operation of

⁽¹⁾ Trans-European automated real-time gross settlement express transfer system.

the single monetary policy. Work is currently in hand for a second-generation system (Target 2) to be in place by November 2007.

Following the signing of the Treaties of Accession of Bulgaria and Romania on 25 April, the governors and experts of the two countries' Central Banks were invited to attend meetings of the General Council and of the committees of the European System of Central Banks as observers. On 29 April the currencies of Cyprus, Lithuania and Malta joined the ERM II exchange rate mechanism.

The ECB pursued its supervisory review and financial stability activity by inter alia monitoring and analysing the main developments in banking and finance, developing new areas of cooperation between central banks and other surveillance authorities, and contributing to remodelling financial regulations.

The ECB, assisted by the national central banks, continued to gather, develop, assemble and disseminate a wide range of statistics. On 30 September it published its first indicators of financial integration in the euro area, with a report providing an overall assessment of the degree of integration in the main financial market segments of the euro area. The indicators will be published every six months and the report will be updated every year.

Following the successful introduction of euro notes in 2002, the ECB continued to work on plans for the second series, which is expected to be issued gradually between now and the end of this decade. A Eurosystem framework for the detection of counterfeit and fitness sorting of euro banknotes by credit institutions and professional cash handlers was set up on 6 January. It is to come into operation nationally by 2006.

The ECB continued to take part in the activities of several European and international institutions and bodies and to issue opinions on draft Community and Member State legislation on matters within its remit.

The ECB's activities are set out in greater detail in the reports which it publishes in accordance with its reporting obligations ⁽¹⁾.

European Investment Bank

In 2005 the European Investment Bank (EIB) granted loans totalling EUR 47.4 billion: 42.3 billion in the Member States of the European Union and 5.1 billion in partner countries. Within the Union, activity in the new Member States expanded sharply (EUR 5.8 billion), with loans going in particular to structural programmes. The EIB also defined operational priorities focusing on growth and employment as part of the drive to relaunch the Lisbon strategy.

⁽¹⁾ <http://www.ecb.int>

Legislative activity

Co-decision

In 2005 the Commission presented 80 proposals for adoption by the co-decision procedure. The European Parliament and the Council for their part signed — or reached a consensus on them prior to signing — 82 legislative acts, for most of which the procedure was in progress before 1 January.

Agreement on 53 proposals was reached at first reading. Although the list of proposals concluded without the need for a second reading mainly includes technical proposals, consolidations and proposals on relations with third countries, it also includes a number of subjects of wide public interest such as, in air transport, the rights of persons with reduced mobility and information for passengers about carrier identity, and, in financial markets, cross-border mergers of companies with share capital and measures to combat money laundering, including the financing of terrorism. Legislation was also adopted on the retention of data in public electronic communications.

A third or so of the legislative proposals (24 acts) were adopted with two readings. This testifies once again to the political will of the two branches of the legislature to reach agreement on important and sensitive dossiers without going through the conciliation procedure. A number of dossiers were concluded, among them the charging of heavy goods vehicles for the use of certain infrastructures (Eurovignette) and, in the environmental area, shipments of waste. Another dossier that was concluded, of particular importance for consumers, concerns phthalates, dangerous substances sometimes found in children's toys.

For the first time in the history of the co-decision procedure, Parliament exercised its right under the EC Treaty to reject the Council's common position. The proposal concerned the patentability of computer-implemented inventions, and it accordingly lapsed.

The conciliation procedure was used on only a very few occasions: quality of bathing water, waste from the extractive industries, social legislation in road transport, and the protection of workers against optical radiation.

Interinstitutional cooperation

European Parliament — Commission

On 26 May the Presidents of Parliament and the Commission signed a new framework agreement on relations between the two institutions. This is a revised and simplified version of the previous framework agreement, signed in 2000, and it includes provisions on political dialogue between the institutions, the confirmation of the new Commission, legislative planning and information flow.

In November Parliament adopted a report on the guidelines for the approval of the Commission by Parliament.

At the May part-session of Parliament a motion of censure signed by more than 70 MEPs was tabled against the Commission. It was rejected by an overwhelming majority at the first June part-session.

Parliament passed resolutions on the Commission's legislative and work programmes for 2005 and 2006. The votes, taken in February and December respectively, revealed a high degree of polarisation in the positions taken in Parliament.

European Ombudsman

The European Ombudsman, Mr P. Nikiforos Diamandouros, acting on the basis of Article 195 of the EC Treaty, opened some 250 inquiries into cases of suspected maladministration by the Commission. These cases focused mainly on the question of transparency (access to documents), disputes on invitations to tender and grants, recruitment and personnel matters, the role of the Commission as guardian of the Treaties, and traditional types of administrative problem such as letters answered late or not at all. About 15 % of inquiries in recent years have prompted criticism by the Ombudsman.

Cooperation with national parliaments

The Commission also sought to develop its relations with the national parliaments in order to increase awareness of its policies in the Member States and give added force to the voice of European citizens through their parliaments. To that end it has established three major objectives: mutual assistance, ongoing dialogue and effective networking.

Commission — European Economic and Social Committee

On 7 November the President of the Commission, Mr Barroso, and the President of the European Economic and Social Committee, Ms Anne-Marie Sigmund, signed a new protocol of cooperation following on from the one signed in 2001. The new protocol is resolutely oriented towards securing closer cooperation between the Commission and the Committee. Its main provisions are as follows:

- at the beginning of each year the Commission President or the Vice-President responsible for relations with the Committee to present to the plenary assembly the broad outlines of the Commission's annual work programme;
- the Commission President and/or the Vice-President responsible for relations with the Committee to arrange a meeting with the President of the Committee to examine respective priorities and any question of common interest;

- the Commission to be able to call on the Committee to draft exploratory opinions, i.e. opinions that the Committee issues before the Commission adopts a legislative or policy initiative;
- substantial progress to be made in the planning of Committee business, with the Commission undertaking to do more to help, going beyond existing instruments (rolling programme and annual work programme);
- improvements to be made to the action taken on Committee opinions by the Commission: there is already a quarterly report on action taken, and this could be supplemented by information or a reaction from the relevant Commission Member in plenary where the opinion is more political in nature.

Commission — Committee of the Regions

On 17 November the President of the Commission, Mr Barroso, and the President of the Committee of the Regions, Mr Peter Straub, signed a new protocol of cooperation following on from the one signed in 2001. The main provisions of this protocol are the same as those of the protocol between the Commission and the European Economic and Social Committee. But special attention is also focused on features specific to the Committee of the Regions, and in particular its determination to be involved in verifying the subsidiarity principle.

European Administrative School

On 26 January the European Parliament, the Council, the Commission, the Court of Justice, the Court of Auditors, the European Economic and Social Committee, the Committee of the Regions and the Ombudsman adopted a decision setting up a European Administrative School (EAS) ⁽¹⁾. The decision is part of the general administrative reform process launched in 2000 and the aim is to organise certain types of training for staff of the signatory institutions. The remit of the EAS was laid down by a second decision the same day ⁽²⁾.

⁽¹⁾ Decision 2005/118/EC (OJ L 37, 10.2.2005).

⁽²⁾ Decision 2005/119/EC (OJ L 37, 10.2.2005).

Constitution

Background

A process that began in December 2000 culminated on 18 June 2004 in the unanimous adoption by the Heads of State or Government of the Member States meeting in intergovernmental conference of a Treaty establishing a Constitution for Europe. This text, based on the conclusions of the Convention on the Future of the European Union that met from February 2002 to July 2003 with Mr Valéry Giscard d'Estaing in the chair, served as the basis for the intergovernmental conference. The Treaty was officially signed by the Heads of State or Government in Rome on 29 October 2004. But before coming into force it must be ratified in accordance with the respective constitutional procedures of all the Member States.

Developments in 2005

In January the European Parliament approved the Treaty by an overwhelming majority (500 for, 137 against, 40 abstentions) and called for it to be ratified.

The ratification process in the Member States began in 2004 and continued in 2005. Thirteen Member States have now completed the process. But in referendums in France on 29 May and in the Netherlands on 1 June the people voted to reject the Constitution. On 16 and 17 June the European Council accordingly concluded that 'we do not feel that the date initially planned for a report on ratification of the Treaty, 1 November 2006, is still tenable'. A period of reflection, explanation and debate is currently under way in all the Member States, whether or not they have ratified the Constitution. Progress in discussions on ratification of the Constitution will be examined by the European Council under the Austrian Presidency (in the first half of 2006). A resolution on the implementation of the European Union's information and communication strategy adopted by the European Parliament on 12 May is of particular relevance to this process.

By way of contribution to the period of reflection launched by the European Council and to stimulate a wide-ranging debate on relations between the Union's democratic institutions and its citizens, the Commission presented a set of initiatives — 'Plan D for democracy, dialogue and debate' ⁽¹⁾ on 13 October. One of the main aims is to help Member States that so desire to organise and fund events stimulating debate on Europe and on subjects of concern to their citizens. Another aim is to launch more systematic dialogue with the general public on the occasion of events or visits by European political leaders. The Commission will present a summary report on the debates in the Member States ahead of the June 2006 European Council. It was against this background that the European Economic and Social Committee and the

⁽¹⁾ COM(2005) 494.

Commission jointly organised a Stakeholders' Forum on 7 and 8 November entitled 'Bridging the gap: How to bring Europe and its citizens closer together'.

General references and other useful links

- Europa site on the constitutional process (including the full text of the Treaty establishing a Constitution for Europe):
<http://europa.eu.int/constitution/>
- European Parliament:
http://www.europarl.eu.int/home/default_en.htm
- Council of the European Union:
http://ue.eu.int/cms3_fo/index.htm
- European Council:
http://ue.eu.int/cms3_fo/showPage.asp?id=432
- European Commission:
http://europa.eu.int/comm/index_en.htm
- Sites of the Members of the Commission:
http://europa.eu.int/comm/commission_barroso/index_en.htm
- Annual policy strategy:
http://europa.eu.int/comm/off/work_programme/index_en.htm
- Work programme:
http://europa.eu.int/comm/off/work_programme/index_en.htm
- Court of Justice, Court of First Instance and European Civil Service Tribunal:
<http://curia.eu.int/>
- Court of Auditors:
<http://www.eca.eu.int/>
- European Economic and Social Committee:
<http://www.ces.eu.int/>
- Committee of the Regions:
<http://www.cor.eu.int/>
- Co-decision site:
http://europa.eu.int/comm/codecision/index_en.htm
- Register of comitology:
http://europa.eu.int/comm/secretariat_general/regcomito/registre.cfm?CL=en

Section 2

Governance

Regional and local dimension of the European Union

Structured dialogue between the Commission and the associations of regional and local authorities

In the context of the 'structured dialogue' with the associations of regional and local authorities, Mr Barroso, President of the Commission, participated in two meetings: on 24 February he presented the broad outlines of the Commission's strategic objectives for the period of his term of office and the legislative and work programme for 2005; on 17 November he set out the legislative and work programme for 2006.

As regards sectoral meetings, Mr Dimas' participation in a discussion on climate change on 6 October marked the first meeting on a specific subject in which a Member of the Commission other than the President took part. The second such meeting was held on 2 December, when Mr Borg presented the future EU maritime policy.

High-level group on governance and the EU

Following the meeting held in The Hague in 2004, the UK Presidency organised a second meeting of the high-level group in London on 21 and 22 November, which was attended by representatives of all the Member States. Four main topics were on the agenda: the target-based tripartite arrangements (contracts and agreements), associating the Commission, the Member States and the regional and local authorities, which form part of the better lawmaking agenda and are aimed mainly at reducing the unnecessary administrative burdens imposed on those authorities by Community legislation; governance and sustainable communities; closer links between the Council of Europe, the European Union and the Member States; and cross-border cooperation.

The Commission for its part highlighted three elements: consolidation of the 'structured dialogue' set up with the associations of local authorities (see above); incorporation of a regional dimension in the impact assessment guidelines ⁽¹⁾; signature of the protocol of cooperation between the Commission and the Committee of the Regions ⁽²⁾.

As regards tripartite arrangements, the high-level group called on the Commission to draw up a document establishing a new framework for the initiative prior to launching an information campaign in cooperation with the Committee of the Regions. The

⁽¹⁾ SEC(2005) 791.

⁽²⁾ See 'Interinstitutional cooperation' in this chapter of the Report.

group also welcomed the reference to the regional and local dimension in the impact assessment guidelines.

Target-based tripartite contracts and agreements

On 18 October the UK Presidency of the European Union organised a forum on tripartite contracts and agreements in Brussels in order to take stock of the pilot schemes carried out in this field, as part of the preparations for the meeting of the high-level group on governance (see above). The forum emphasised the need to involve local and regional authorities more closely in a multi-level approach to governance within the Union.

Regulatory agencies

New agencies

In 2005 a new agency was set up: the Community Fisheries Control Agency (CFCA) ⁽¹⁾; the Commission also proposed setting up two other agencies under the first pillar: the European Agency for Fundamental Rights ⁽²⁾ and the European Institute for Gender Equality ⁽³⁾.

The tasks of those agencies are explained in the relevant sections of this Report.

Interinstitutional agreement on the operating framework for the European regulatory agencies

In response to a request from the European Parliament and Council to draw up a proposal on the operating framework for the regulatory agencies, the Commission adopted a draft interinstitutional agreement on the operating framework for the European regulatory agencies on 25 February ⁽⁴⁾. The content of this operating framework, which was announced in the 2001 White Paper on European governance ⁽⁵⁾, is based largely on a 2002 Commission communication ⁽⁶⁾ and on the follow-up discussions with Parliament and the Council. On 1 December Parliament adopted a resolution welcoming the draft interinstitutional agreement presented by the Commission, but regretting the fact that the Council was not prepared to enter into negotiations aimed at concluding an agreement on the basis of this draft.

⁽¹⁾ Regulation (EC) No 768/2005 (OJ L 128, 21.5.2005).

⁽²⁾ COM(2005) 280.

⁽³⁾ COM(2005) 81.

⁽⁴⁾ COM(2005) 59.

⁽⁵⁾ COM(2001) 428.

⁽⁶⁾ COM(2002) 718.

Statistical governance

On 25 May the Commission adopted a communication on the independence, integrity and accountability of the national and Community statistical authorities ⁽¹⁾. It sets out a code of practice on European statistics and standards for the independence of those authorities. It provides an additional guarantee regarding the proper operation of the European statistical system and the production of reliable, high-quality statistics. It is also aimed at boosting confidence in the independence, integrity and accountability aspects of both the national statistical institutes and the Statistical Office of the European Communities (Eurostat), and in the credibility and quality of the statistics which they produce and distribute. On the same day the Commission also adopted a recommendation to the Member States aimed at promoting the implementation of this code by the Member States and Eurostat.

General references and other useful links

- Governance:
http://europa.eu.int/comm/governance/index_en.htm
- Regulatory agencies:
http://europa.eu.int/comm/governance/governance_eu/decentral_en.htm

Section 3

Better lawmaking

General approach

Background

Over the years the European Union has developed a body of legislation that continues to deliver economic development, environmental protection and the improvement of social standards, in particular through completion of the single market. The effectiveness of European law has moved up the European Union agenda and better lawmaking is now the order of the day.

These initiatives stem from the action plan launched by the Commission in June 2002 ⁽²⁾ following lengthy public consultations in the aftermath of the publication a year earlier of

⁽¹⁾ COM(2005) 217.

⁽²⁾ COM(2002) 275 and COM(2002) 278.

its White Paper on governance. The comprehensive action plan, which was intended to initiate a new coordinated strategy at all levels of the legislative process, was accompanied by a package of measures in specific subject areas: governance ⁽¹⁾, assessing the impact of legislative proposals ⁽²⁾, reinforcing the culture of consultation and dialogue ⁽³⁾, collecting expertise ⁽⁴⁾, the operating framework for the European regulatory agencies ⁽⁵⁾, and entering into contracts with local authorities and the Member States for the implementation of certain measures ⁽⁶⁾.

Action on this front entered two new phases in 2003 with the definition of a strategy for updating and simplifying Community law ⁽⁷⁾ and the adoption of an interinstitutional agreement ⁽⁸⁾ under which the European Parliament, the Council and the Commission agreed, in exercising their powers, to respect certain principles such as the promotion of clarity and consistency in the drafting of laws and the utmost transparency of the legislative process.

The European Union must do things more simply and more efficiently, with emphasis on the need to increase opportunities and benefits for citizens, reduce economic costs and respect the principle of proportionality.

The current concern of the European Union is to improve the quality of Community legislation. In March the Commission reviewed the action plan to improve the regulatory environment launched in 2002 and aimed not only at improving the drafting of legislation but also at ensuring more rigorous implementation and compliance. The object of the exercise, which consists of removing bureaucratic obstacles and remedying the problem of over-regulation in all areas, is to create not 'less' Europe but a 'more' efficient Europe.

The strategy is three-pronged:

- the screening of proposals presented by the Commission and pending before the European Parliament/Council with regard to their general relevance and their impact on competitiveness;
- the simplification of existing legislation;
- basing formulation of the Commission's key new legislative proposals on an integrated analysis of the potential economic, social and environmental impact of different options.

⁽¹⁾ COM(2002) 705

⁽²⁾ COM(2002) 276.

⁽³⁾ COM(2002) 277 and COM(2002) 704.

⁽⁴⁾ COM(2002) 713.

⁽⁵⁾ COM(2002) 718.

⁽⁶⁾ COM(2002) 709.

⁽⁷⁾ COM(2003) 71.

⁽⁸⁾ OJ C 321, 31.12.2003.

A policy to boost the Lisbon strategy

The Commission's mid-term review of the Lisbon strategy in March produced a new strategy focusing on economic growth and job creation ⁽¹⁾, of which improving the quality of legislation in Europe is one of the main instruments.

The aim is to ensure that, in accordance with the principle of subsidiarity, the Union acts only when necessary and that the regulatory burden imposed is proportional to the objective pursued.

Directly inspired by the Lisbon objectives, the Commission has been trying to raise political awareness of the importance of breathing new life into implementation of the 2002 action plan to improve regulation. On 16 March it presented a set of measures designed, through better regulation, to encourage competitiveness and thus stimulate growth and employment while paying due heed to social and environmental objectives ⁽²⁾. This initiative is based on three key lines of action:

- to promote the design and application of better regulation tools at Union level, in particular as regards impact assessment and simplification;
- to work more closely with the Member States to ensure that better regulation principles are applied systematically by all regulators throughout the European Union;
- to reinforce constructive dialogue between the Community institutions, governments and national administrations.

As European legislation applies in areas where powers are shared with Member States or where the Union's role is to coordinate and complement national action, better regulation initiatives must also be conducted by the Member States at all administrative levels.

Recent action aimed at better lawmaking

- All Commission proposals presented prior to 1 January 2004 and still pending before the Council and Parliament (around 183) have been screened. At the end of September the Commission announced that it intended to withdraw 68 of these proposals, i.e. almost a third, on the grounds that they were not in accordance with the Lisbon criteria or with the principles of better regulation, were unlikely to be adopted or were no longer relevant ⁽³⁾.
- In June the Commission adopted revised internal guidelines for assessing the impact of its main proposals. They are intended to help staff to perform

⁽¹⁾ See 'New momentum for the Lisbon strategy: partnership for growth and employment' in Chapter II of this Report.

⁽²⁾ COM(2005) 97.

⁽³⁾ COM(2005) 462.

comprehensive and high-quality impact assessments. Since 2003 the Commission has carried out impact assessments on around 100 legislative proposals. Impact assessments based on the new guidelines will be conducted for all items listed in the Commission's work and legislative programme for 2006 with the exception of consultations with the social partners and Green Papers.

- Negotiations between the Council, the European Parliament and the Commission produced agreement in December on a common approach to impact assessment, with a set of rules on how impact assessments are to be carried out during the legislative process.
- A new strategy for the simplification of the regulatory environment, including an entire range of simplification methods and a three-year rolling programme, was adopted by the Commission in October ⁽¹⁾. The programme, which lists 220 groups of legislative instrument that the Commission wants to simplify, was based on extensive consultations with the Member States, businesses and citizens, conducted mainly online. This new strategy also involves repealing legislation that has become obsolete, codification (i.e. consolidating the initial text and the amendments to it in a single text), and other practical improvements under the regulatory approach. Success of the strategy will depend on the two branches of the legislature cooperating fully and adopting the Commission's simplification proposals promptly.
- In October the Commission proposed a common methodology for assessing the administrative costs imposed by European legislation ⁽²⁾, based on the practices of the Member States and on the conclusions of the pilot phase launched at the beginning of April. It also planned subsequent phases for the introduction of this methodology into the impact assessments used in the preparation of legislative proposals.

The need for better regulation was also emphasised by the European Economic and Social Committee. At its September plenary session the Committee considered that this was a real 'social requirement' demanding intense interinstitutional involvement with a high degree of participation on the part of organised civil society as well. It also called for a 'cultural' change with greater emphasis on effective enforcement rather than the bringing-in of new European laws.

Specific approaches

Alongside this general approach, which has been introduced gradually, there have also been more targeted better lawmaking initiatives both at sectoral level and as regards principles and instruments.

⁽¹⁾ COM(2005) 535.

⁽²⁾ COM(2005) 518.

Environment

The better regulation agenda inspired the approach introduced by the Commission for formulation of the thematic strategies included in the sixth framework environment programme (air pollution, the marine environment, waste prevention and recycling, etc.), which constitute the new generation of environment policies. This approach was presented on 28 September ⁽¹⁾: the thematic strategies are to be based on impact assessments and be prepared with particular attention to stakeholder consultation, simplification, cross-cutting issues and links between the different areas; and each of the strategies will comprise three strands: an overall approach to the thematic issue presented in a communication highlighting the problems and the proposed solutions, legislative proposals, at least in some cases, and an impact assessment.

Common agricultural policy

On 19 October the Commission presented plans for radically simplifying the common agricultural policy ⁽²⁾. The objective is to limit the bureaucratic burden on farmers and on the authorities by making the rules more transparent and easier to understand and apply. The Commission proposes:

- identifying and abolishing superfluous or obsolete rules by conducting a 'legal audit' of existing regulations, and improving the structure and presentation of agricultural legislation;
- grouping existing common market organisations into one single organisation in order to have just one set of harmonised rules in the classic areas of market policy (intervention, private storage, import tariff quotas, export refunds, safeguard measures, promotion of agricultural products, state aid rules) without changing the substance of existing instruments and mechanisms;
- helping the national administrations to quantify and reduce the burden on farmers;
- drawing up an action plan in 2006 comprising specific measures aimed at simplifying the common agricultural policy;
- taking account of the relevant proposals made by Member States and stakeholders;
- organising a simplification conference in 2006 focusing on the views and needs of stakeholders.

⁽¹⁾ COM(2005) 466. See 'Environment' in Chapter III of this Report.

⁽²⁾ COM(2005) 509. See 'Agriculture' in Chapter III of this Report.

Transparency

Background

Over the last few years the Commission has made major advances in the field of openness and transparency, in particular with publication of the 2001 White Paper on European governance, the drawing-up of precise rules on ethical standards in the new Staff Regulations for its officials and the introduction of codes of conduct ⁽¹⁾, clear rules on access to documents, and the making available of detailed information on committees and expert groups. This is a subject close to the heart of all the institutions. Polls show that confidence curves in the European institutions continue to move in lockstep (Eurobarometer 63), indicating that European institutions either win or lose public trust together, and a credible transparency initiative must consequently encompass all the institutions. Hence the Commission's plans to take the debate to the other European institutions and all other stakeholders.

Who gets Community funding? What influence do pressure groups have? What rules of conduct do those in charge of the European institutions have to follow? These are some of the questions often asked by Europe's citizens about 'Brussels'. It is against this background that the Commission decided on 9 November to launch a European transparency initiative. And a Green Paper is to be published to initiate a debate with all stakeholders on how to improve transparency on Community funds, consultation of civil society, and the role of pressure groups and NGOs in the European institutions' decision-making process. Discussions will also be started at interinstitutional level to promote a Community framework on professional ethics. Lastly, the Commission will continue its progress on transparency by taking concrete action to improve its own transparency vis-à-vis Europe's citizens. This initiative is a logical complement to Plan D for democracy, dialogue and debate ⁽²⁾.

As one of the current Commission's main strategic objectives ⁽³⁾, this initiative is designed to increase the transparency with which the European Union handles the responsibilities and funds entrusted to it by the European citizen. This is an essential condition for the legitimacy of any modern administration and a key element underpinning European citizens' trust in their public institutions.

⁽¹⁾ For example, code of good administrative behaviour on relations between the Commission and the general public, and code of conduct for Members of the Commission and their obligation to publish a declaration of financial interests.

⁽²⁾ See 'Information and communication' in this chapter of the Report.

⁽³⁾ COM(2005) 12.

General references and other useful links

- Commission report — 'Better lawmaking 2004': COM(2005) 98
- Transparency — Register of comitology; register of expert groups: http://europa.eu.int/comm/secretariat_general/index_en.htm

Section 4

Information and communication

Communication strategy

Background

Between 2001 and 2004 the Commission adopted three communications on information and communication⁽¹⁾ which have improved partnership and cooperation between the institutions and the Member States. These communications changed the way in which communication activities are financed and identified a number of key objectives: multiannual programming; drawing on common messages based on citizens' interests; and pooling synergies, best practices and improvements in the evaluation of measures taken. However, it is clear both from the results of public opinion polls and from the reactions of the electorate in 2005 that commitment to and involvement in the European project by Union citizens are still impeded by a sense of remoteness from the institutions and from Europe.

A new approach

It was against this background that a new approach to information policy and action was proposed by the Commission in 2005 to provide a structure for European communication initiatives. This new approach is underpinned by the following three principles:

- *listening*: communication is a two-way not a one-way process. It is not just about the European Union institutions providing information to Union citizens but also about citizens expressing their opinions so that the Commission can understand their perception of Europe and their concerns. Europeans want to make their voices heard in Europe and their democratic participation should have a direct bearing on the formulation and delivery of European Union policy;

⁽¹⁾ Communication on a new framework for cooperation on activities concerning the information and communication policy of the European Union (COM(2001) 354); communication on an information and communication strategy for the European Union (COM(2002) 350); communication on implementing the information and communication strategy for the European Union (COM(2004) 196).

- *communicating*: European Union policies and activities and their impact on everyday life have to be communicated in a way that people can understand and relate to if they are to follow political developments at European level;
- *connecting with citizens by 'going local'*: good communication demands excellent understanding by the general public, including local audiences. Communication activities must be adequately resourced and organised in such a way as to address local requirements in the Member States and to convey information through the channels citizens prefer and in a language they can understand.

The Commission has therefore made communication one of the strategic objectives for its term in office. Delivery depends on the intentions and actions of the Union being underpinned by accurate and effective communication. For the new policy to work the Union must not only be a clear advocate of its policies; it must also be receptive, integrate communication into its policy formulation from the outset and adapt its message to national needs. The end result of communication must be to establish a relationship and create a dialogue with European citizens. This involves listening carefully and connecting, and is an essential part of the political process.

To this end the Commission pursued two courses of action in 2005:

- first, it adopted an internal action plan setting out specific measures to be taken within the Commission and designed primarily to ensure more effective communication on the subject of Europe, supported within the institution by a modern and more professional approach across the board;
- second, it started work on a White Paper, to engage all stakeholders, setting out the medium- and long-term policy vision and initiatives to be undertaken in cooperation with the other institutions and stakeholders. The White Paper will provide the basis for a vast consultation process over a period of six months, the results of which will enable the Commission to translate the suggestions put forward into operational proposals. It will also launch a period of reflection on how to work in partnership with the Member States, the European Parliament, and the other Union institutions and bodies. And it will indicate ways of developing a European public sphere, in particular using audiovisual media and a European narrative. The role of civil society and its active contribution to the European dialogue and debate will also be addressed.

These principles have already been put into practice as part of the ongoing constitutional debate through the launching of the so-called Plan D designed to stimulate a far-reaching debate on the relationship between the European Union's democratic institutions and its citizens. Details of the plan are set out in a

communication adopted on 13 October — ‘The Commission’s contribution to the period of reflection and beyond: Plan D for democracy, dialogue and debate’⁽¹⁾.

The European Parliament has also focused on breathing new life into the European Union’s information and communication strategy and, in a resolution on its implementation adopted on 12 May, it set out its views on what the main aims should be.

Throughout the year all the institutions worked on introducing this new approach into their operational activities, deploying the full range of information tools presented on the Europa website. Alongside the routine but important regular activities (Eurobarometer, telephone answering line, press assistance, publications and audiovisual productions, etc.), 2005 was marked by a number of key initiatives conducted as part of the revamped information and communication policy:

- redesigning the European Parliament’s Internet site using a more citizen-friendly approach and focusing on current parliamentary issues;
- setting up the new Europe Direct local information network made up of almost 400 information points located in all the Member States;
- broadcasting television programmes using Europe by Satellite;
- launching contracts for the production of documentaries, institutional spots and other audiovisual products.

General references and other useful links

- Directorate-General for Press and Communication (European Commission):
http://europa.eu.int/comm/dgs/press_communication/index_en.htm
- European Union information sources and contacts:
http://europa.eu.int/geninfo/info/index_en.htm
- Europa site giving access to all the European Union institution websites:
http://europa.eu.int/index_en.htm

(¹) COM(2005) 494.

Section 5

Budget and financial activities

Budget

Implementation of the 2005 budget

The 2005 budget adopted by the European Parliament on 16 December 2004 ⁽¹⁾ was the first one to cover the political priorities and needs of an enlarged 25 Member State European Union for a full year.

The breakdown of appropriations, which total EUR 116.6 billion, is set out in an annex to this Report for the main spending areas.

In the course of the year the 2005 budget was changed by a number of amending budgets, which are also included in the annex.

Preparation of the 2006 budget

In accordance with the procedures provided for by the EC Treaty, the preparation of the budget for the 2006 financial year took the form of:

- a preliminary draft approved by the Commission on 27 April;
- a draft established by the Council on 15 July;
- a first reading by the European Parliament on 27 October;
- a second reading by the Council on 1 December.

Parliament finally adopted the budget after its second reading on 15 December.

Financial regulation

Revision of the financial regulation

On 3 May the Commission proposed ⁽²⁾ a revision of the financial regulation adopted in 2002 ⁽³⁾ in order to simplify financial procedures, reduce the administrative burden, particularly as regards the formalities for beneficiaries of Community subsidies and funding, and improve the effectiveness of Union expenditure. In order to introduce the amendments deemed necessary to further simplify the management of low-value contracts and small grants as quickly as possible, the Commission also approved a

⁽¹⁾ OJ L 60, 8.3.2005.

⁽²⁾ COM(2005) 181.

⁽³⁾ Regulation (EC, Euratom) No 1605/2002 (OJ L 248, 16.9.2002).

draft amendment of the rules for the implementation of the financial regulation on 12 October ⁽¹⁾.

Revision of the financial perspective for 2000–06

To take account of the effects of the 2003 reform of the common agricultural policy, which reduces direct payments to farmers in order to finance rural development policy, the European Parliament and the Council amended the current financial perspective on 7 September ⁽²⁾. The revision is intended to cover the effects of this shift for 2006.

Financial perspective for 2007–13

An agreement on the financial perspective for 2007–13 was reached at December's European Council, resulting in an overall ceiling of EUR 862.3 billion for commitment appropriations over this period, corresponding to 1.045 % of the gross national income of the European Union (EU-27). This consensus still has to be negotiated between the European Parliament, the Council and the Commission before being given formal shape in an interinstitutional agreement.

General references and other useful links

- Budget:
http://europa.eu.int/comm/budget/index_en.htm

⁽¹⁾ SEC(2005) 1240.

⁽²⁾ Decision 2005/708/EC (OJ L 269, 14.10.2005). See 'Agriculture' in Chapter III of this Report.

Prosperity

Section 1

Economic and social environment

New momentum for the Lisbon strategy: partnership for growth and employment

The year 2005 was earmarked for a mid-term review of the strategy launched in 2000 by the Lisbon European Council with the aim at the time of making the European Union the most competitive and dynamic knowledge-based economy in the world by 2010. The results of this analysis were mixed and the decision was taken to go beyond a routine review of the objectives: at this mid-way point the process was completely relaunched and refocused on the key targets.

Background

Lisbon strategy

At a special meeting in Lisbon in March 2000, soon after the Prodi Commission's presentation of its own main objectives for its five-year term in office, the European Council set an ambitious strategic goal to be achieved over the next decade: the Union was 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. In order to steer the process that was intended to achieve this economic and social goal, to which has now been added the environmental pillar of 'sustainable development', each of the spring European Councils since Lisbon has reviewed progress on the different aspects of the strategy, which include research, innovation, new technologies, business development, completion of the single market, competition, development of the major infrastructure networks, social policy, education and training.

Prior to the relaunch: the Kok report

In order to contribute to the debate in the run-up to the mid-term review of the Lisbon strategy, a high-level group headed by Mr Kok, the former Dutch Prime Minister, was set up in 2004 to identify measures for forming a consistent strategy which would allow the economies of the European Union to achieve the objectives set in 2000. The group's report, Facing the challenge — The Lisbon strategy for growth and employment, which was presented to the European Council in November 2004, placed particular emphasis on two points: first, that more urgency is needed in implementation of the Lisbon strategy and, second, that the challenges facing Europe are greater now than in 2000, in particular those resulting from the combination of weak demographic growth and an ageing population.

Relaunch

As part of the mid-term review, the spring European Council meeting in Brussels on 22 and 23 March imparted the decisive political impetus for the relaunch of the strategy in its three dimensions (economic, social and environmental) with a view to tapping more effectively into their synergies in the context of sustainable development.

The European Council, which welcomed the important contributions made by the European Parliament, the Committee of the Regions, the European Economic and Social Committee and the social partners, endorsed the main guidelines put forward in the Commission communication of 2 February 'Working together for growth and jobs — A new start for the Lisbon strategy' ⁽¹⁾. With mixed results showing undeniable progress but also shortcomings and delays, the relaunch focuses on two priorities requiring the urgent action already called for in the Kok report: stronger and more sustainable growth, and more and better jobs.

To achieve these priorities, developments will be required on three main fronts: making knowledge and innovation the engines of sustainable European growth; making Europe a more attractive area in which to invest and work; and reinforcing the European social model based on the quest for full employment and greater social cohesion.

Furthermore, since the success of the Lisbon strategy requires increased 'ownership' of the process by all stakeholders, there is now more need to develop a partnership underpinned by a Community programme and national programmes involving firm commitments to take the process forward. To this end, a simplified governance arrangement has been introduced to facilitate the identification of priorities, improve their implementation on the ground by increasing the involvement of the Member States, and streamline the monitoring procedure so as to give a clearer picture of how the strategy is being implemented at national level.

⁽¹⁾ COM(2005) 24.

Implementation

After the formulation of the approach came the first implementing measures.

- On 12 April the Commission presented, for the first time in a single text, integrated guidelines for 2005–08 ⁽¹⁾, including its recommendations on the broad economic policy guidelines and the employment guidelines designed to implement the Lisbon strategy. On 12 July, after consulting the European Parliament and the European Economic and Social Committee and with the approval of the European Council, the Council adopted a decision on guidelines for the employment policies of the Member States ⁽²⁾ and a recommendation on the broad guidelines for the economic policies of the Member States and the Community (2005–08), which together constitute the integrated guidelines ⁽³⁾.
- On 20 July the Commission presented a Community Lisbon programme ⁽⁴⁾ covering all Community actions for growth and employment. This programme, intended as an accompaniment to the national programmes, focuses on a set of key actions with high European added value, including support for knowledge and innovation in Europe, reform of state aid policy, completion of the internal market for services, support for efforts to deal with the social consequences of economic restructuring, improving and simplifying the regulatory framework in which businesses operate, completion of an ambitious agreement in the Doha Round of multilateral trade talks, removal of obstacles to physical labour and academic mobility, and the development of a common approach to economic migration.
- At the end of the year, the Member States presented their national reform programmes to the Commission, which carried out an assessment of them ahead of the spring 2006 European Council.

Macroeconomic framework

The arrangements for implementing the Lisbon strategy set out above, particularly the establishment of the integrated guidelines combining the broad economic and employment policy guidelines, have to some extent a macroeconomic dimension, as do other approaches linked to the objective of stable growth.

⁽¹⁾ COM(2005) 141.

⁽²⁾ Decision 2005/600/EC (OJ L 205, 6.8.2005).

⁽³⁾ Recommendation 2005/601/EC (OJ L 205, 6.8.2005).

⁽⁴⁾ COM(2005) 330.

Stability and Growth Pact

Background

Stability and Growth Pact

The Stability and Growth Pact is based on a political agreement reached at the Amsterdam European Council in June 1997 and on two related implementing regulations adopted by the Council in July 1997 ⁽¹⁾: Regulation (EC) No 1466/97 on the surveillance of the Member States' budgetary positions and coordination of their economic policies (preventive aspect), and Regulation (EC) No 1467/97 on implementation of the excessive deficit procedure once the government deficit of a Member State exceeds the reference value of 3 % of gross domestic product (GDP) (corrective aspect).

The pact is intended to ensure sound management of public finances in the Union in order to prevent a lax budgetary policy in one Member State from penalising the other Member States via interest rates and undermining confidence in economic stability. It also seeks to encourage sustained and durable convergence of the economies of the Member States belonging to the euro area.

The Commission is responsible for monitoring implementation of the Stability and Growth Pact. If it seems likely that a Member State will not meet its obligations with respect to its economic policy, the Council may, on a recommendation from the Commission, issue a specific recommendation to the Member State concerned (early warning). If the Member State does not comply and the deficit exceeds 3 % of GDP, an excessive deficit procedure is triggered.

In view of the difficulties encountered by some Member States in achieving their budgetary targets with respect to the commitments made in their updated stability programmes, a debate was launched in 2002 on the pact and on the commitments for achieving budgets that are in balance or in surplus. The differences of opinion between the Commission and the Council concerning the position of France and Germany gave rise to a Court of Justice ruling on 13 July 2004 which annulled the Council's conclusions on the holding in abeyance of the excessive deficit procedure ⁽²⁾.

In September 2004, in the wake of this debate, the Commission proposed a number of improvements aimed at clarifying the Stability and Growth Pact.

On 20 March, drawing on the points made by the Commission (see above), the Council presented a set of proposals aimed at reforming the pact but keeping legislative changes to a minimum. These proposals, which were ratified by the spring European Council, are intended to ensure better governance, improve the coordination and monitoring of the Member States' economic policies and avoid excessive deficits, as required by the EC Treaty. The main priorities of the reform are as follows: to enhance the economic rationale of the budgetary rules so as to improve their credibility and ownership; to improve ownership by national policy-makers; to take better account

⁽¹⁾ OJ L 209, 2.8.1997.

⁽²⁾ Case C-27/04 (*Commission v Council*) (OJ C 28, 11.9.2004).

of the periods when economies are growing above or below trend; and to pay more attention to debt situations and to the sustainability of public finances. All these budgetary adjustments are also designed to underpin the efforts to boost growth and employment as part of the relaunched Lisbon strategy.

On 27 June, in order to implement this reform, the Council adopted two new regulations ⁽¹⁾ amending the 1997 regulation.

- The first regulation amends the preventive arm of the pact, in particular by providing for the possibility of differentiating the medium-term budgetary objectives in order to take into account the diversity of the economic and budgetary positions of the different Member States and their sustainability. It also allows Member States that have implemented major structural reforms with a verifiable positive impact on the long-term sustainability of public finances to deviate temporarily from the medium-term budgetary objective, subject to certain conditions.
- The second regulation amends the corrective arm of the pact in order to reflect more accurately the realities of an enlarged European Union of 25 Member States. It clarifies certain concepts, including that of ‘severe economic downturn’, and also provides that the decisions on the existence of an excessive deficit and the deadlines for correcting any such deficit may, subject to certain conditions, take account of the particular situation in each Member State and of the cyclical situation.

Alongside the reform of the pact itself, the Community institutions conducted their annual review of the situation in each Member State.

On the basis of the Commission recommendations, the Council successively adopted its opinions on the updated stability and convergence programmes of the EU-25: on a case-by-case basis, it found that they complied fully, broadly or partially with the requirements of the code of conduct on the content and format of the programmes approved in 2001.

With regard to excessive deficits, the Council endorsed the opinion expressed by the Commission at the end of 2004 that no additional action was necessary at this stage regarding Germany and France, which were taking the necessary measures to remedy the situation. The Council also noted the progress made by Greece thanks to the measures it had adopted to remedy its excessive deficit. And it welcomed the efforts made by the Dutch authorities to reduce their deficit but judged the measures so far adopted in Hungary still insufficient. Similarly, the Council pointed out that there was a risk of a persistent excessive deficit in Italy, Portugal and the United Kingdom. On 12 December the Council amended ⁽²⁾ the rules governing the quality of statistical

⁽¹⁾ Regulations (EC) Nos 1055/2005 and 1056/2005 (OJ L 174, 7.7.2005).

⁽²⁾ Regulation (EC) No 2103/2005 (OJ L 337, 22.12.2005).

data in the context of the excessive deficit procedure. The new regulation endorses inter alia the existing best practices for the compilation and transmission of data.

On 11 October the Council approved a new code of conduct including a certain number of specifications for consistent implementation of the Stability and Growth Pact and the guidelines for stability and convergence programmes.

On 1 June the Commission presented its sixth report on public finances in EMU ⁽¹⁾. After reviewing the budgetary performance of the Member States in 2004, the report assesses the short- and medium-term outlook and analyses certain issues of relevance for the EU-wide fiscal policy debate. Although the average budget deficit showed a marginal improvement after deteriorating for three consecutive years, the Commission considers that fiscal consolidation must remain a priority in order to reduce public debt, to address the problem of the ageing population, and to refocus public resources on measures that will boost growth.

Economic and monetary union (EMU)

In 2005 the main priority for EMU was the practical preparations for the future enlargement of the euro area. On 4 November, one year after its first report on this matter, the Commission presented a new report ⁽²⁾ which analysed the following in particular: the timetables envisaged by the Member States concerned; the preparedness of the Member States, in particular the plans and scenarios for the changeover to the euro; the preparedness at Community level as regards the legal and technical aspects as well as information and communication policy; and the state of public opinion regarding the euro in the new Member States, which is still considered to be unsatisfactory.

On 7 June the Council approved common guidelines for the future national sides of euro coins. It also decided that the necessary technical preparations for changing the common side of these coins should be completed so as to ensure that it gives a general representation of Europe and that all Member States will thus be represented. The European Parliament, in a resolution of 5 July on the implementation of an information and communication strategy on the euro and EMU, noted that public perception of the euro in the 12 euro countries still tended to be negative despite the progress made as a result of its introduction. It encouraged the Commission and the European Central Bank (ECB) to launch a campaign to convince people of the benefits of the single currency in terms of price stability and ease of transactions.

The activities of the European Central Bank are discussed under 'Life of the institutions' in Chapter I of this Report.

⁽¹⁾ COM(2005) 231.

⁽²⁾ COM(2005) 545.

Taxation

General approach

Taxation, like the customs union, is an important factor in helping the European Union achieve the Lisbon objectives. This was pointed out by the Commission on 27 October when it approved a communication aimed at boosting European competitiveness on these two fronts ⁽¹⁾. The communication presents the key taxation and customs measures that would contribute to the structural adjustment needed in the European economies in order to fulfil the Lisbon strategy. These initiatives are aimed at reducing compliance costs and red tape, helping the Member States to maintain stable revenue streams, generating more competition in the markets, boosting trade, and encouraging research and development. The measures proposed are not intended to change the structure of the Member States' tax systems or to impinge on their national fiscal sovereignty. Instead, they are aimed at reducing the negative effects which coexisting national tax systems can have on market integration. In this connection, the Commission, like many Member States, has played a very active part in the discussions on the retroactive effects of Court rulings and, in a number of cases ⁽²⁾, called for an interpretation of the Treaty that respects both the basic freedoms of the internal market and the budgetary constraints facing Member States.

Direct taxation

In the field of direct taxation, decisive progress was made in the taxation of savings income. On 1 July, Directive 2003/48/EC ⁽³⁾ and the relevant international agreements came into force as the 40 partners interested in the system (the EU-25, five non-member European countries and 10 territories linked to certain Member States) had agreed to apply with effect from that date the provisions agreed upon in 2003 (directive) and 2004 (international agreements). On 12 December the Council approved the use of a secure IT data-exchange system developed by the Commission for the needs of Directive 2003/48/EC and a new standard modern format for data exchange that will be operational as from 2008.

In the field of business taxation, the 1990 directive on deferred taxation for mergers between companies of different Member States ⁽⁴⁾ was amended on 17 February ⁽⁵⁾. This amendment extends the scope of the directive to a wider range of companies, including European companies and European cooperative societies. It provides for a new tax-neutral regime for the transfer of the registered office of a European company or of a European cooperative society from one Member State to another. It also states

⁽¹⁾ COM(2005) 532.

⁽²⁾ Cases C-475/03 (*Banca popolare di Cremona*) and C-292/04 (*Meilicke*).

⁽³⁾ OJ L 157, 26.6.2003.

⁽⁴⁾ Directive 90/434/EEC (OJ L 225, 20.8.1990).

⁽⁵⁾ Directive 2005/19/EC (OJ L 58, 4.3.2005).

that the directive applies in the case of the conversion of branches into subsidiaries. Lastly, it covers a new type of transaction known as 'partial division' or 'division with exchange of shares', by way of which an existing company transfers at least one of its branches of activity to a sister company. In addition, a communication was adopted on 7 November that included a proposal for a code of conduct on transfer pricing documentation for associated enterprises in the Union ⁽¹⁾. The intention is to offer enterprises the possibility of presenting standardised and partially centralised documentation describing their transfer pricing policies.

On 23 December the Commission approved a communication on tackling the corporation tax obstacles facing small and medium-sized enterprises in the internal market ⁽²⁾. The communication sets out the particular problems which such enterprises active in more than one Member State face in the company tax area and examines how these problems undermine the functioning of the internal market. On the basis of the work carried out in recent years and the Commission's current company tax strategy, the communication presents a possible and viable solution based on the 'home-state taxation' approach. This concept could be usefully tested by interested Member States and companies in an experimental pilot scheme.

Indirect taxation

In the field of indirect taxation, on 17 October the Council adopted a regulation that ensures more uniform application of the common rules on value added tax (VAT) in the European Union ⁽³⁾. The new regulation gives force of law to a number of approaches to elements of VAT legislation in such areas as electronically supplied services, the place of supply of certain services, and the scope of exemptions from VAT, thereby providing transparency and legal certainty both for traders and for national administrations. Differences in the way Member States apply the common VAT rules constitute obstacles for firms wishing to take advantage of the internal market.

On 14 April the Commission proposed that the minimum standard rate of VAT set at 15 % until 31 December 2005 continue to apply until 31 December 2010 ⁽⁴⁾. The proposal was adopted by the Council on 12 December in order to avoid a legal vacuum as from 2006. The December European Council called on the Council to examine the issue of reduced VAT rates in January 2006 in order to come to a definitive agreement on this issue.

In February the Commission launched a public consultation exercise in order to obtain views on possible improvements to the VAT rules applicable to services supplied to private consumers. On the basis of the views expressed, it would decide whether to

⁽¹⁾ COM(2005) 543.

⁽²⁾ COM(2005) 702.

⁽³⁾ Regulation (EC) No 1777/2005 (OJ L 288, 29.10.2005).

⁽⁴⁾ COM(2005) 136.

present a proposal amending the rules in force. On 20 July it amended ⁽¹⁾ a proposal presented in 2003 on the place of supply of services between traders in order to best achieve taxation at the place of consumption and to simplify the VAT rules applicable to traders in line with the objectives of the Lisbon strategy.

On 6 July the Commission presented a proposal for a directive that would require Member States to restructure their passenger car taxes ⁽²⁾. The proposal aims to improve the functioning of the internal market by removing existing tax obstacles to transfers of passenger cars from one Member State to another. It would also promote environmental sustainability by restructuring the tax base of both registration taxes and annual road taxes so as to include an element directly related to carbon dioxide emissions from cars.

Competition

Background

Modernisation of EU competition law

Between 2000 and 2004 the main building blocks for a modernisation of EU competition law were gradually put in place. On 1 May 2004, the date of accession of 10 new Member States to the European Union, two pillars of this reform came into force:

- *a set of rules implementing the EC Treaty provisions on restrictive agreements and abuses of dominant positions and providing for close collaboration between the Community and national competition authorities;*
- *a new regulation on mergers which, among other things, strengthens the 'one-stop shop' arrangement (referral to the best-placed competition authority) and thus alleviates the burden imposed on companies by the notification requirement; at the same time, it clarifies and makes more effective the economic assessment to be carried out by the Commission.*

Against this background, while continuing to apply the competition rules to businesses in a consistent fashion, the Union focused its activities in the competition field on the practical implementation of the new body of rules and by the reform of the state aid rules.

However, its activities must also be viewed in the light of the relaunch of the Lisbon strategy, which is designed basically to boost competitiveness and thus places particular emphasis on the promotion of genuine competition for the benefit of consumers. This explains the importance that the Commission continues to attach to the merits of a proactive competition policy as set out in its communication of

⁽¹⁾ COM(2005) 334.

⁽²⁾ COM(2005) 261.

20 April 2004 ⁽¹⁾. In this connection, sectoral surveys were launched in June in two key areas with a view to ensuring the success of the Lisbon strategy, one on the gas and electricity markets and the other on banks and insurance.

Competition and enterprises

On 25 April the Commission renewed until 2010 ⁽²⁾ a block exemption — already renewed in 2000 — allowing shipping companies to enter into consortium agreements covering the maritime transport of cargo to or from one or more European Union ports.

In a communication of 5 September on the reform of the competition rules applicable to the liberal professions ⁽³⁾, the Commission, while welcoming the progress made, noted that certain restrictive rules, such as price fixing and bans on advertising, were common in many Member States. It therefore called on those Member States and on the professions concerned to support the Lisbon strategy by stepping up their efforts to modernise the sector.

On 1 October 'location' clauses designed to prevent car dealers from opening vehicle distribution points outside geographical areas designated by manufacturers were abolished. Coming at the end of a three-year period intended to allow the parties concerned to adapt, as regards this particular point, to the reform of the competition rules applicable to this activity since 2002 ⁽⁴⁾, this is the last stage of the reform.

On 19 December the Commission adopted a Green Paper on damages' actions for breach of the EU antitrust rules ⁽⁵⁾.

In the cases handled by it in 2005, the Commission's priority remained enforcement activities against cartels, the most anti-competitive form of restrictive agreement. As part of a reorganisation of the Competition Directorate-General, a directorate specialising in cartels was set up.

As regards abuses of dominant positions, on 15 June the Commission adopted a decision imposing a fine of EUR 60 million on the pharmaceutical firm Astra Zeneca for misusing the patent system and the procedures for marketing pharmaceuticals so as to delay market entry for generic competitors ⁽⁶⁾. The decision involves some novel features relative to the Commission's decision-making practice.

⁽¹⁾ COM(2004) 293.

⁽²⁾ IP/05/477.

⁽³⁾ COM(2005) 405.

⁽⁴⁾ Regulation (EC) No 1400/2002 (OJ L 203, 1.8.2002).

⁽⁵⁾ COM(2005) 672.

⁽⁶⁾ IP/05/737.

On 22 June the Commission adopted a decision rendering legally binding commitments offered by Coca-Cola that put an end to certain commercial practices ⁽¹⁾. The decision is based on a new procedure introduced as part of the 'modernisation' of the rules for applying the Treaty provisions on competition and allowing the Commission to accept commitments offered by an enterprise and, in so doing, to conclude the investigation under way.

In the merger field, the Commission saw the number of notifications increase compared with 2004. Over 90 % of notifications were approved, most of them within one month. In a small number of cases, however, the Commission initiated an in-depth investigation.

On 3 May the Commission approved the creation of a rotogravure printing joint venture by the German media companies Bertelsmann AG and Axel Springer AG ⁽²⁾. Despite the high market shares that the joint venture will enjoy on the German market for the rotogravure printing of magazines, the Commission's in-depth investigation showed that the joint venture will not be able to increase prices owing to the existence of effective competitive pressures.

On 13 July the Commission approved the takeover of the Austrian VA Tech group by Siemens of Germany ⁽³⁾, subject to the condition that Siemens divest itself of VA Tech's hydropower business and ensure the independence of the German metal plant builder SMS Demag in which Siemens had a shareholding. On 25 August the Commission approved the takeover by the US healthcare group Johnson & Johnson of its competitor Guidant, a company specialised in cardiovascular medical products ⁽⁴⁾. In the light of the commitments given by Johnson & Johnson, the transaction will not distort competition.

Competition and state aid

To build on its overall approach in the field of competition, on 7 June the Commission presented an action plan designed to lead, over a five-year period, to a comprehensive reform of state aid policy ⁽⁵⁾. In particular, it is planning to use the rules on state aid set out in the EC Treaty to encourage Member States to help implement the Lisbon strategy by focusing aid on the following areas: making European industry more competitive, creating sustainable jobs (more aid for research, innovation and risk capital for small and medium-sized enterprises), ensuring social and regional cohesion, and improving public services. The Commission also wishes to rationalise procedures so as to clarify the rules, reduce the number of aid measures that must be notified and speed up decision-making.

⁽¹⁾ IP/05/775.

⁽²⁾ IP/05/532.

⁽³⁾ IP/05/919.

⁽⁴⁾ IP/05/1065.

⁽⁵⁾ COM(2005) 107.

This action plan was first put into practice shortly after it had been presented: on 15 July the Commission adopted a package of measures designed to provide greater legal certainty for the financing of services of general economic interest. The measures in question are a Commission decision specifying the conditions to be met ⁽¹⁾, a Community framework for state aid granted in the form of public service compensation ⁽²⁾ and an amendment to the 1980 directive on financial transparency ⁽³⁾. An initiative in this area had been advocated by a Parliament resolution of 22 February.

Implementation of the action plan continued with the adoption by the Commission on 21 December of the new guidelines on national regional aid ⁽⁴⁾, which set out the rules for the selection of regions eligible for regional aid and lay down the maximum permitted levels. In line with European Union cohesion policy and European Council requests for less and better targeted state aid, the new guidelines, which will apply from 2007 to 2013, refocus regional aid on the most deprived regions, at the same time allowing for the need to improve competitiveness throughout the Union and ensure a smooth transition to the new regime.

On 5 September the Commission launched a consultation exercise on improvements to Community state aid rules for projects encouraging innovation, the aim being to sound out the views of stakeholders before adopting final measures ⁽⁵⁾. On 8 December it prolonged the Community framework for state aid for research and development ⁽⁶⁾. On 21 December it adopted a communication ⁽⁷⁾ to the Member States on the application of Articles 92 and 93 of the Treaty to short-term export credit insurance ⁽⁸⁾.

As part of a sectoral approach, on 6 September the Commission adopted guidelines setting out the conditions for authorising start-up aid for new routes opened by airlines from regional airports. The objective is to encourage the development of regional airports and to promote the mobility of citizens in Europe, while ensuring equal treatment of all airport operators and airlines and the proper use of public resources.

In the state aid field, the Commission saw the number of notifications increase to some 650 in 2005. It also took around 600 final decisions ⁽⁹⁾. It authorised the aid in some 96 % of cases while, in the remaining 4 %, it adopted a negative decision after

⁽¹⁾ OJ L 312, 29.11.2005.

⁽²⁾ OJ C 297, 29.11.2005.

⁽³⁾ Directive 2005/81/EC (OJ L 312, 29.11.2005).

⁽⁴⁾ IP/05/1653.

⁽⁵⁾ COM(2005) 436.

⁽⁶⁾ OJ C 310, 8.12.2005.

⁽⁷⁾ OJ C 325, 22.12.2005.

⁽⁸⁾ OJ C 281, 17.9.1997; communication amended in 2001 (OJ C 217, 2.8.2001).

⁽⁹⁾ In coalmining, agriculture, fisheries and transport as well as in manufacturing and services.

coming to the conclusion that the aid in question was incompatible with the state aid rules and hence with the common market.

Regulatory burden

Reducing the regulatory burden, in particular in order to benefit small and medium-sized enterprises, is part of the more general 'better lawmaking' agenda discussed in Chapter I of this Report.

Implementation of the social agenda

The achievements of the European Union in this field in 2005 are discussed under 'Social dimension' in Chapter III of this Report.

General references and other useful links

- Broad economic policy guidelines (2003–05):
<http://europa.eu.int/scadplus/leg/en/lvb/l25056.htm>
- Lisbon strategy:
<http://europa.eu.int/growthandjobs/index.htm>
- Guidelines:
http://europa.eu.int/comm/employment_social/employment_strategy/guidelines_en.htm
- Stability and convergence programmes:
http://europa.eu.int/comm/economy_finance/about/activities/sgp/scp_en.htm
- Excessive deficits:
http://europa.eu.int/comm/economy_finance/about/activities/sgp/scp_en.htm
- European Central Bank (ECB)
<http://www.ecb.int/>
- Taxation:
http://europa.eu.int/comm/taxation_customs/taxation/index_en.htm
- Competition:
http://europa.eu.int/comm/competition/index_en.html
- Prohibited restrictive agreements:
<http://europa.eu.int/comm/competition/antitrust/cases/>
- State aid:
http://europa.eu.int/comm/competition/state_aid/overview/
- International competition network:
<http://www.internationalcompetitionnetwork.org/>

Section 2

Levers of prosperity

Under the Lisbon strategy, the European Union is to promote a knowledge-based economy. To achieve this, it is essential that innovation and the use of new communication and information technologies be stimulated as much as possible, particularly through the engines of growth that are research and development, modern technologies, and setting up effective networks.

Innovation and enterprise policy

Background

The growth and the competitiveness of businesses, whether in industry or in services, depend on their ability to adapt quickly to change and to fully develop their potential with regard to innovation. All businesses, regardless of size, face this challenge, although it is more difficult for small businesses.

The spring 2003 European Council prioritised innovation and entrepreneurship and underlined the importance for Europe of doing more to translate ideas into concrete added value. The spring 2004 European Council emphasised that 'competitiveness, innovation, and the promotion of an entrepreneurial culture are defining conditions for growth — essential to the economy as a whole, and especially important for small and medium-sized enterprises'. It also stressed that, for growth to be sustainable, it had to respect the environment.

First competitiveness and innovation framework programme

To accompany the new impetus given to the Lisbon strategy, the Commission proposed on 6 April the establishment of a competitiveness and innovation framework programme (CIP) for implementation over the period 2007–13⁽¹⁾. The CIP will gather together, in a common framework, specific Community support programmes and relevant parts of other Community programmes in areas that are crucial for increasing Europe's productivity, ability to innovate and sustainable growth.

Intended to foster action in a number of key areas for competitiveness, the recommended framework is made up of three specific programmes:

- an entrepreneurship and innovation framework programme, including eco-innovation;
- a policy support programme for information and communication technologies;
- a programme for the promotion of 'intelligent energy'.

⁽¹⁾ COM(2005) 121.

Adoption of the framework programme requires a further decision of the European Parliament and of the Council.

Innovation

As part of the partnership for growth and employment, a key component of the relaunch of the Lisbon strategy, the Commission wished to detail the content of the commitments to research and innovation set out in general terms in the initiative. The guidelines it recommends on this subject were laid down in a communication dated 12 October ⁽¹⁾. The Commission lists a number of measures with a view, in particular, to reinforcing the links between research and innovation. It emphasises once again that, consistent with its approach to 'better lawmaking' ⁽²⁾, measures which might affect competitiveness will undergo an impact assessment.

Access to risk capital and to mezzanine financing is crucial for supporting the process of innovation, but their potential is not fully realised. The Risk Capital Summit jointly organised by the Presidency of the EU and the Commission in October highlighted the fact that there is no single market for venture capital, while identifying some areas to investigate. With regard to this, the financial instruments for SMEs proposed in the CIP will make a useful contribution to filling the gaps left by the market in this area.

Industrial policy

Also in connection with the goals of the Lisbon strategy and in response to a specific invitation by the European Council in October 2003, on 5 October the Commission presented its thoughts on defining a political framework for strengthening manufacturing ⁽³⁾. This new framework aims to take a more integrated approach to industrial policy and puts forward a number of sectoral and horizontal actions linked, in particular, to the simplification of legislation, research and innovation, intellectual property rights, restructuring of industries, professional qualifications, the links between the environment, energy and competitiveness, and access to markets of third countries. Other institutional players also turned their attention to the concerns about the future of this policy. In a resolution of 23 February, the European Parliament thus expressed concern about the future of the European steel industry. On 9 June it recommended a new approach to industrial policy to strengthen competitiveness and employment through the key elements of rationalisation of the regulatory framework, simplification of access to sources of financing, maintenance of aid for research and training, and the creation of new jobs. For its part, in a July opinion dedicated to the effects of delocalisation of businesses, the European Economic and Social Committee suggested that a number of fundamental aspects of industrial policy should be

⁽¹⁾ COM(2005) 488.

⁽²⁾ See 'Better lawmaking' in Chapter I of this Report.

⁽³⁾ COM(2005) 474.

reinforced, such as professional qualifications, innovation, increasing public–private partnerships in key sectors, and investment in infrastructure.

Promoting entrepreneurship

The ‘Partnership for growth and employment’⁽¹⁾ emphasised in particular the need to improve the business environment, take account of SMEs’ concerns, and provide them with appropriate support. To achieve this, the Commission communication on a modern SME policy for growth and employment provides a consistent framework for the use of the varied instruments of enterprise policy and aims to incorporate the principle of giving priority to small businesses (‘think small first’) throughout all European Union policies. To ensure the continuity of Community support for the promotion of entrepreneurship, the multiannual programme for enterprise and entrepreneurship, which covered the period 2001–05 and focused particularly on SMEs, has been extended to 31 December 2006⁽²⁾. In addition to its opinion on this initiative, the European Economic and Social Committee wanted to support the priority that the Commission intended to give to promoting cooperative societies in Europe⁽³⁾. The fifth annual report on the implementation of the European Charter for Small Enterprises, adopted by the Commission in February, gives an overview of the measures taken in this area by the Member States, Norway, the candidate countries, Moldova, the western Balkans and the Commission⁽⁴⁾.

Product policy

In the vehicle manufacturing sector, a high-level group called CARS 21 (‘Competitive automotive regulatory system for the 21st century’) made up of all the parties concerned met on the initiative of Commission Vice-President Günter Verheugen and adopted its final report on 12 December as a prelude to a future communication which the Commission intends to publish on the implementation of recommendations on improving the competitiveness of the European automobile industry. The year 2005 also saw the conclusion of legislative work to increase motor vehicle safety. And on 21 December the Commission presented a proposal for the introduction of common standards limiting the emission of atmospheric pollutants from motor vehicles (‘Euro 5’)⁽⁵⁾.

The debate continued on the introduction of a new legislative framework for chemicals (the ‘REACH’ project)⁽⁶⁾. In 2005 this gave rise in particular to statements by the European Economic and Social Committee and the Committee of the Regions.

⁽¹⁾ See ‘Relaunch’ in this chapter of the Report.

⁽²⁾ Decision 1776/2005/EC (OJ L 289, 3.11.2005).

⁽³⁾ COM(2004) 18.

⁽⁴⁾ COM(2005) 30.

⁽⁵⁾ COM(2005) 683.

⁽⁶⁾ Commission proposal: COM(2003) 644.

Subsequently, the European Parliament adopted its opinion at first reading on 17 November, and the Council came to an agreement on 13 December.

On 7 November a conference on animal testing was held on the initiative of Vice-President Günter Verheugen and Janez Potočnik, Member of the Commission. This led to the launch of a partnership between the Commission and the industries concerned with a view to promoting alternatives to this type of testing.

For further information on product policy, see 'Free movement of goods' below.

Research and space policy

Background

The European Union, together with the United States and Japan, is one of three centres of scientific research in the world, in terms of both quantity and quality.

Fundamentally, European research policy improves the life of European citizens while allowing the European Union to increase its global competitiveness. It thus plays a special part in accomplishing the Lisbon strategy, which relies largely on the knowledge-based economy (see 'Economic and social environment' in this chapter).

Specifically, the European Union is pursuing two main objectives with regard to research:

- *creating a European research area by integrating resources, both financial and human, with Member States' scientific and technological capacity while promoting synergy around European research programmes in areas such as health, the environment, food quality and transport;*
- *increasing and improving public and private research efforts in Europe by working on the conditions for research activities and researchers in the EU; this is closely tied to the goal the EU has set of dedicating 3 % of its GDP to research in 2010 compared with 1.9 % today.*

For 2002–06, the Union therefore has available a budget of approximately EUR 20 billion allocated through the sixth framework programme for research to seven priorities:

- *life sciences, genomics and biotechnology for health;*
- *information society technologies;*
- *nanotechnologies, intelligent materials and new production processes;*
- *aeronautics and space;*
- *food safety and health risks;*
- *sustainable development;*
- *economic and social sciences.*

Furthermore, research is being carried out to support policies in areas such as agriculture, fishing, health and consumer protection, the environment, the single market, transport, and the information society.

European research area (ERA)

In a communication of 6 April entitled 'Building the ERA of knowledge for growth' ⁽¹⁾, the Commission reiterated how crucial it was to improve knowledge if the Lisbon objective was to be achieved. Building up the European Union's capacity to produce knowledge, disseminate it through education, and apply it through innovation was the best means that the Union had available to stimulate economic growth and produce quantitative and qualitative improvements in employment while ensuring social progress and protecting the environment. Nonetheless, the Commission noted that to achieve this it was necessary to bring together a number of framework conditions, such as tax incentives, adapting the rules on state aid and intellectual property rights, and strengthening the ties between universities and business.

The case of nanosciences and nanotechnologies is an excellent example: in its action plan for 2005–09, presented on 7 June ⁽²⁾, the Commission stated that research in this area had to be increased and coordinated in order to create economies of scale and establish synergy with education and innovation. Concerted action by European industry, research bodies, universities and financial institutions should make it possible to create products and procedures which are commercially viable and fundamentally safe.

Still in the light of the Lisbon strategy, the importance of the life sciences and biotechnology sector for promoting growth and strengthening the Union's position in the global market for high technology was highlighted in a Commission report of 29 June ⁽³⁾. To achieve this, the report emphasised the need to introduce as quickly as possible a simplified European patent system and to re-examine pharmaceutical legislation, which is currently overly complex. It also pleads in favour of more active cooperation by the Member States with regard to the implementation of a new regulatory framework for genetically modified organisms.

ITER (international thermonuclear experimental reactor)

Important progress was made on the construction of the ITER experimental fusion reactor in June, thanks to the unanimous agreement by the parties involved in the negotiations (China, Japan, Russia, South Korea, the United States and the European Union) that the reactor would be built in Europe. Since then, India has joined the negotiations, which means that more than half of the world's population is now involved in this vast project intended to promote sustainable development in the field of energy.

⁽¹⁾ COM(2005) 118.

⁽²⁾ COM(2005) 243.

⁽³⁾ COM(2005) 286.

Seventh research framework programme

Although the sixth research framework programme runs until 2006, preparation of the seventh framework programme (EC and Euratom) is already well advanced, particularly since the Commission proposal of 6 April ⁽¹⁾. This instrument should come into effect on 1 January 2007 and run for seven years (2007–13). It is intended to consolidate the ERA set up by the sixth framework programme, while giving new impetus to achieving the European Union's Lisbon strategy objectives.

In addition to the programme setting out the guidelines for the Joint Research Centre (JRC) ⁽²⁾, it includes various specific programmes put forward by the Commission on 21 September:

- the 'Cooperation' programme ⁽³⁾, intended to make the European Union the world leader in the fields of science and technology by promoting wider cooperation between universities, industries, research centres and the public authorities, both within the EU and with the rest of the world;
- the 'Ideas' programme ⁽⁴⁾ to support researchers whose creativity and intellectual curiosity will lead to major unexpected discoveries;
- the 'People' programme ⁽⁵⁾ to develop the quantity and quality of human resources in research and development;
- the 'Capacities' programme ⁽⁶⁾ to develop the means available for research and innovation in order to give science a better place within society;
- the specific programme implementing the seventh framework programme of Euratom for nuclear research and training ⁽⁷⁾;
- the specific programme to be carried out by means of direct actions by the Joint Research Centre for nuclear research and training activities ⁽⁸⁾.

The seventh research framework programme assumes there will be a clear improvement in the regulatory and administrative environment of European research thanks to simplified access and procedures and the transfer of certain logistical and administrative tasks to outside structures. Moreover, the creation of a European Research Council is intended as a response to the problem of allocating funds to fundamental research.

⁽¹⁾ COM(2005) 119.

⁽²⁾ COM(2005) 439.

⁽³⁾ COM(2005) 440.

⁽⁴⁾ COM(2005) 441.

⁽⁵⁾ COM(2005) 442.

⁽⁶⁾ COM(2005) 443.

⁽⁷⁾ COM(2005) 445.

⁽⁸⁾ COM(2005) 444.

Space

Background

The European space policy that is currently being established is a fundamental component of the ERA. In many ways it takes over the multisectoral approach that characterises the ERA, i.e. a specific industrial policy, effective investment and management instruments, and above all international cooperation to reinforce multilateral initiatives. The three pillars of the European space policy are the European Union itself, the European Space Agency and the Member States, working together to attain the objectives of exploiting and exploring space.

Moreover, a preparatory action for research into security is financing multidisciplinary research projects directed at solving specific security questions. This action is laying the groundwork for the addition of a chapter on security under the 'Security and space' theme of the seventh research framework programme.

In its communication of 23 May on European space policy ⁽¹⁾, the Commission identified priority applications projects, i.e. the Galileo satellite navigation programme, GMES ('Global monitoring for environment and security') and research into satellite communications technology under the i2010 initiative (see 'Development of information and communication technologies' in this chapter).

A crucial element for the success of GMES services is the development of the European spatial data infrastructure provided for by the Inspire initiative ⁽²⁾. The goal of the proposal for a directive on which it is based is to optimise the exploitation of information on the air, water, soil and natural landscapes in order to monitor, protect and improve the state of the environment. In 2005, the European Parliament issued an opinion at first reading on this proposal, and the Council reached an agreement on it.

Other international developments

In the context of the consolidation of the European research area, and more specifically in the area of international cooperation, it should be stressed that an agreement was concluded with Switzerland, and that progress was made in negotiations on agreements with Brazil, Egypt, Japan, Jordan, Mexico and South Korea.

Joint Research Centre (JRC)

The JRC continued to provide the Commission's departments with assistance. Its activities are organised around three main themes: food, chemical products and health; the environment and sustainability; and nuclear safety and security, which are covered by the Euratom programme. Work also continued in three complementary horizontal

⁽¹⁾ COM(2005) 208.

⁽²⁾ COM(2004) 516.

research areas: technology foresight; reference materials and measurements; and public security and combating fraud. In particular, in the field of the environment, the new automatic air pollution monitoring station installed by the JRC on a ship will provide some of the data that will enable the Commission and the Member States to improve their policies regarding climate change and air pollution. In addition, the European Commission has created the first Soil Atlas of Europe, designed to analyse the threats to our soil. With regard to sustainable development in Africa, the JRC set up an environmental information system that provides information on food needs and the delivery of aid following natural disasters and other emergencies. The JRC's immediate response after the tsunami that hit Asian countries was to carry out regional, national and local cartographic analyses.

In support of Euratom's activities, the JRC worked in particular with the United Nations, Moldova, Russia and Ukraine to combat illegal trafficking in nuclear and radioactive materials. Furthermore, it continued to work on increasing harmonisation and standardisation in the area of nuclear safety.

Development of information and communication technologies

Background

Adopted in 2002, the current framework for the European information society is based on the 'eEurope 2005' action plan. Its goals at the time were to create an environment that promoted private investment and job creation, to stimulate productivity, to modernise public services and to give everyone a chance to take part in the global information society. Today, thanks to this plan, 83 % of the population of the old 15-member European Union has broadband Internet access. Moreover, 40 % of basic public services can be accessed in a fully interactive way in the EU-25.

In connection with the eEurope 2005 action plan, several programmes were set up by the European Parliament and the Council to improve conditions for access to and use of digital content and to promote more secure use of the Internet and new online technologies.

The European information society is currently focused on drawing up an overall strategy that will enable it to develop up to 2010. This strategy is based mainly on more widespread adoption of information and communication technologies with a view to increasing growth and raising productivity, while opening new markets and improving public services.

eEurope strategy

On 9 March the European Parliament and the Council established a multiannual Community programme to make digital content in Europe more accessible, usable and exploitable ⁽¹⁾. This decision instituted the eContentplus programme, intended to

⁽¹⁾ Decision No 456/2005/EC (OJ L 79, 24.3.2005).

continue the eContent programme (2001–04) and, from 2009, to be included in the competitiveness and innovation framework programme (see above). The programme aims to create the best conditions for access to and use of digital content and, where appropriate, for a better economic return from services based on access to and use or reuse of digital content.

In the same context, signature by the two institutions on 11 May also made possible the entry into force of the new 'Safer Internet plus' multiannual programme for 2005–08 to promote safer use of the Internet and new online technologies. This programme covers new media, such as video, and new aspects, such as unsolicited commercial communications ('spam'), and is based on four lines of action: fighting illegal content; tackling unwanted and harmful content; promoting a safer environment, particularly with a view to protecting children; and raising awareness.

On 6 July the European Parliament and the Council laid down general rules for the granting of Community financial aid in the field of trans-European networks ⁽¹⁾, setting the Community contribution to these projects of common interest at 30 % of the investment cost.

Regulatory framework

A review of the directive on the scope of universal service was launched on 24 May by a Commission communication that set out the main options ⁽²⁾; this was followed up by a public consultation exercise. The communication examined whether it would be possible to maintain or change the scope of universal service, in particular with regard to including mobile telephones or broadband transmission.

The gradual switchover to digital led the Commission to state its views on the issue twice during the year. On 24 May, in a communication on accelerating the transition from analogue to digital broadcasting ⁽³⁾, it asked the Member States to take the measures needed to ensure that this transition would be well advanced by 2010, and set 2012 as the deadline for the complete cessation of terrestrial analogue radio and television broadcasting. Moreover, on 29 September it set out the European Union's priorities with regard to the availability of the radio spectrum and coping with future broadcasting services ⁽⁴⁾. A strategy furthering the reduction of barriers to access to the radio spectrum has a considerable impact on the behaviour of consumers with regard to choice, as it does on growth and the potential for innovation. As the Council reiterated in its conclusions of 1 December, it thus falls within the framework of the Lisbon strategy.

⁽¹⁾ Regulation (EC) No 1159/2005 (OJ L 191, 22.7.2005).

⁽²⁾ COM(2005) 203.

⁽³⁾ COM(2005) 204.

⁽⁴⁾ COM(2005) 461.

i2010 initiative

On 1 June the Commission adopted the i2010 initiative ('A European information society by 2010')⁽¹⁾ which aims to boost growth and employment in the information society and in the media. This is a comprehensive strategy for modernising and deploying all EU policy instruments to encourage the development of the digital economy: regulatory instruments, and research and partnerships with the private sector. The Commission will in particular promote high-speed and secure broadband networks offering rich and diverse content in Europe. This initiative has three priorities: completing an open and competitive single market for information society and media services within the EU; substantially increasing public and private investment in research on information and communication technologies; ensuring everyone participates in the information society in Europe. The purpose of these three priorities is to boost growth and job creation in the context of the new impetus given to the Lisbon strategy.

Of the many measures resulting directly from the i2010 initiative, the adoption by the Commission of several communications is worthy of note, including the communication on e-accessibility⁽²⁾ intended to improve the quality of life of the disabled and the elderly by improving the accessibility of products and services relating to information and communication technologies (ITCs). In the same vein of public accessibility, the Commission has also proposed that Europe's cultural heritage be digitised and made accessible online ('i2010: Digital libraries')⁽³⁾.

On 14 September the Commission also adopted its second communication on eSafety⁽⁴⁾. The eSafety initiative, introduced in 2003, relies largely on the deployment of intelligent systems based on information and communication technologies to improve road safety. The main objective of this second communication is to channel emergency calls from vehicles (the eCall system) to the most appropriate call processing centre. It is estimated that adoption of the eCall system in all vehicles in Europe could save 2 500 lives each year.

e-Commission

On 23 November the Commission confirmed its commitment to the information society by adopting its 'e-Commission 2006–10' communication⁽⁵⁾, a strategic framework for implementing its own 'e-government' action plan.

.eu top level domain

In May, following the signing of an agreement between EURid (European Registry of Internet Domain Names) and ICANN (Internet Corporation for Assigned Names and

⁽¹⁾ COM(2005) 229.

⁽²⁾ COM(2005) 425.

⁽³⁾ COM(2005) 465.

⁽⁴⁾ COM(2005) 431.

⁽⁵⁾ C(2005) 4473.

Numbers), the top level domain (TLD) '.eu' was added to the Internet root server system. In conjunction with the Commission and the other bodies concerned, the Registry then worked out all the rules and policies needed to register domain names and settle disputes. The Commission also prepared a list of names reserved under the .eu TLD for the exclusive use of the European institutions. On 1 December the .eu TLD was publicly launched.

World Summit on the Information Society

The European view of an information society strongly influenced the recommendations of the United Nations summit on the subject, the second phase of which was held in Tunis from 16 to 18 November. At the summit, a worldwide political agreement was reached regarding more international Internet governance together with strengthened international cooperation. In this, the agreement fulfilled the expectations of the various institutions representing the European Union (communication presented by the Commission on 2 June ⁽¹⁾, conclusions of the Council on 27 June and resolution of the European Parliament on 23 June), although they had also hoped that concrete financial mechanisms would be adopted with a view to reducing the digital divide in developing countries, thus reaffirming the principles set out in the Geneva declaration of December 2003.

Teaching, education, learning

Education and training in the context of the Lisbon strategy

Background

The importance given to the knowledge-based economy when defining the Lisbon strategy in March 2000 highlighted the fact that the modernisation of education and training systems within the EU would be expected to make a contribution to the success of this strategy by the 2010 deadline. To achieve this, three strategic objectives, together with related objectives, were approved in 2001:

- *improving the quality and effectiveness of education and training systems in the Union;*
- *facilitating the access of all to these systems;*
- *opening up education and training systems to the wider world.*

On this basis, a detailed work programme was adopted jointly by the Council and the Commission in 2002 ⁽²⁾.

⁽¹⁾ COM(2005) 234.

⁽²⁾ OJ C 142, 14.6.2002.

In the context of relaunching the Lisbon strategy, the spring European Council considered that human capital was Europe's most important asset. As a result, it asked the Member States to redouble their efforts to raise the basic level of education and reduce the number of young people who leave school early, in particular by pursuing the 'Education and training 2010' work programme (see above). The European Council also emphasised that lifelong learning was a sine qua non if the Lisbon objectives were to be achieved. Moreover, recommendations intended to develop human capital were formulated by the Council at its meeting on 21 February.

For its part, on 20 April the Commission, recognising that European universities were not in a position to deliver their full potential contribution to the relaunched Lisbon strategy, identified three main directions for modernisation ⁽¹⁾:

- greater differentiation of curricula, admission procedures and teaching methods to foster the emergence of excellence and reinforce the attractiveness of Europe to both European and foreign students;
- better governance, implying better management of the system and of institutions;
- higher and more effective funding through targeted investments (in quality, innovation and reform) to convince stakeholders (governments, companies, households) of the value they receive in exchange.

In a communication of 10 November, the Commission provided an overview of the progress made towards modernising education and training ⁽²⁾. It pointed out that too few adults took part in lifelong learning, although strategies in this area were gaining ground in Europe. Such national strategies urgently needed to be put into place in all the countries. The benchmark that the European Union had set for the increase in the number of mathematics, science and technology graduates had been reached. In contrast, the objectives most closely linked to social inclusion and the knowledge society were far from being achieved. Moreover, the Commission felt that reforms must be both efficient and equitable, and that learning partnerships should be established at all levels in order to improve the governance of the systems; policy evaluation must also be improved to check whether reforms are effective. In addition, according to the Commission, the Structural Funds must be used more judiciously with regard to investment in human capital.

Also on 10 November, the Commission adopted a proposal for a recommendation of the European Parliament and of the Council on key competences ⁽³⁾, which describes the skills, knowledge and attitudes deemed essential for all Europeans if they are to succeed in a society and an economy based on knowledge. The eight key competences are: communication in one's mother tongue; communication in a foreign language;

⁽¹⁾ COM(2005) 152.

⁽²⁾ COM(2005) 549.

⁽³⁾ COM(2005) 548.

mathematical literacy and basic competences in science and technology; computer literacy; learning to learn; interpersonal and civic competences; entrepreneurship; cultural expression.

New initiatives implemented in 2005

On 1 January the 'Europass' initiative came into effect, having been introduced in late 2004 with a view to promoting mobility within the European Union ⁽¹⁾. This is a European framework that gathers together in a single portfolio a series of documents (curriculum vitae, language portfolio, etc.) enabling citizens to clearly and easily present their qualifications and skills throughout Europe.

Within the framework of the multiannual eLearning programme ⁽²⁾, the eTwinning action was launched on 14 January. This initiative is intended to reinforce and develop the networking of schools, in particular through a European twinning project which should allow any school in the Member States to set up teaching partnerships with a school located somewhere else in Europe. It is intended to promote language learning and intercultural dialogue, and to increase awareness of a multilingual and multicultural model for European society.

With regard to language learning and multilingualism, the Commission launched two initiatives:

- in a communication of 1 August, it recommended the creation of a European indicator of language competence (EILC) ⁽³⁾ measuring general language skills in each Member State;
- in a communication of 22 November, it proposed a new framework strategy for multilingualism ⁽⁴⁾ which has three aims: encouraging language learning and promoting linguistic diversity in society; promoting a healthy multilingual economy; giving citizens access to European Union legislation, procedures and information in their own languages.

In the field of statistics, the European Parliament and the Council adopted on 7 September a regulation on statistics relating to vocational training in enterprises ⁽⁵⁾. These statistics will provide quantitative and qualitative information on lifelong learning, together with basic information on initial training.

For additional information on occupational mobility see 'Labour mobility' in this chapter (below).

⁽¹⁾ Decision No 2241/2004/EC (OJ L 390, 31.12.2004).

⁽²⁾ Decision No 2318/2003/EC (OJ L 345, 31.12.2003).

⁽³⁾ COM(2005) 356.

⁽⁴⁾ COM(2005) 596.

⁽⁵⁾ Regulation (EC) No 1552/2005 (OJ L 255, 30.9.2005).

Transport and energy

Transport: background

Since 2001, Europe's transport policy has been based on the Commission White Paper⁽¹⁾ on transport. Its purpose is to guarantee citizens efficiency, quality and safety of transport by focusing European policy on their needs and requirements. This strategy gives the European Union 10 years to implement some 60 measures, of which the main one is to shift the balance between modes of transport by 2010 by revitalising the railways, promoting maritime and inland waterway transport and developing intermodal services. A public consultation was launched this year as part of the mid-term review of the White Paper.

At the same time, the Union has given high priority to the development of a satellite navigation system, Galileo, the European equivalent of the American GPS system, and the introduction of a new-generation air traffic control management system, SESAR.

Air transport

With the publication of the Commission communication of 11 March entitled 'Developing the agenda for the Community's external aviation policy'⁽²⁾ and the adoption by the Council on 27 June of conclusions on the action to be pursued, 2005 marked the introduction for the coming years of a structured and ambitious agenda for external relations policy in the area of air transport. Based on an analysis of trends in international air markets, which are destined for ongoing growth, the policy advocated by the Commission:

- recommends close cooperation between the Commission and the Member States to actively pursue bringing existing bilateral agreements into line, with a view to implementing the 'open sky' case-law of November 2002, especially by implementing Regulation (EC) No 847/2004⁽³⁾;
- proposes to link the Community with the rest of the world by means of more global aviation agreements based on two main ideas: opening markets and regulatory cooperation in key areas (security, safety, competition, etc.) with a view to establishing fair, safe and lasting aviation markets.

On this basis, the Commission has made concrete proposals and pursued action in three main directions:

- adopting a regional approach to relations between the Community and its neighbours to create, by 2010, a European common aviation area (ECAA), which

⁽¹⁾ COM(2001) 370.

⁽²⁾ COM(2005) 79.

⁽³⁾ OJ L 195, 2.6.2004.

would seal solid relations based on the introduction of common rules in every facet of air transport (not only market access but also security, safety and traffic control). An agreement with Morocco was initialled on 14 December. Negotiations are well under way with the Balkan countries. The next step should be negotiating an agreement with Ukraine and, in the longer term, with Russia;

- negotiating with strategic partners to arrive at global aviation agreements. The negotiations with the United States culminated in November in a draft agreement approved by the Council subject to an overall examination in the light of the reform under way in the USA on the supervision of American companies. It contains some advances with regard both to market access and to regulatory convergence (safety, state aid, competition, etc.). In addition, proposals for negotiating mandates were submitted to the Council by the Commission. They concerned China and India, where air traffic is going to increase considerably. The Commission is also proposing to seek agreements with countries such as Australia, Chile and New Zealand;
- achieving significant progress in bringing existing bilateral agreements into line. In this regard, 20 horizontal agreements negotiated by the Commission in 2005 with third countries made it possible to bring into line with Community law 305 bilateral agreements between the Member States and 20 partner countries in the aviation area.

On 16 February the Commission adopted a new package on air passenger rights, which in a communication ⁽¹⁾ and two proposals for regulations ⁽²⁾ set out a framework for the protection of passengers' rights and stressed the necessary development of measures ensuring greater security as well as better communication concerning safety:

- the first proposal for a regulation concerns the rights of persons with reduced mobility when travelling by air; the purpose is to prevent unjustified refusal of carriage by introducing the necessary assistance, free of charge, to allow them to fly, the possibility for airport operators to bill carriers for such assistance, and possible penalties for failure to apply these rules;
- the second proposal for a regulation concerns information for passengers' benefit concerning the identity of air carriers and the communication of information on safety by the Member States, assurance of speedy action by the Member States with a view to taking the necessary protection, or even prohibition, measures, the need to improve the safety levels of air carriers, and the publication of information, at both Community and international levels.

On 25 November the Commission adopted a communication and a proposal for a regulation on developing the new-generation European air traffic management

⁽¹⁾ COM(2005) 46.

⁽²⁾ COM(2005) 47 and COM(2005) 48.

system (SESAR) and establishing a related joint undertaking ⁽¹⁾. Forecasts of trends in air traffic show that it should double, or even triple, in the next 20 years. For the Commission, therefore, developing air transport infrastructure becomes a priority for European growth.

Land transport

On 20 July the Commission adopted a revised proposal on public passenger transport services by road, rail and inland waterway ⁽²⁾. This proposal imposes the establishment of public service contracts between authorities and operators, clarifies the rules on compensation and on the award of such contracts, organises the rules on competitive tendering and allows the possibility for the competent authorities themselves to provide public transport services or to award contracts directly to an internal operator, regardless of the mode of transport.

In the rail transport sector, the Commission adopted a communication on 4 July outlining its strategy for deploying the harmonised European rail signalling system ERTMS/ETCS (European rail traffic management system/European train control system) on the main priority routes of the trans-European network ⁽³⁾.

Maritime transport

The year 2005 saw the adoption of two important documents concerning the enforcement of the law against ship-source pollution:

- on 12 July the Council approved the draft submitted by the Commission after the shipwrecks of the oil tankers *Prestige* and *Erika* ⁽⁴⁾. Henceforth, those responsible for ecological disasters, whether accidental or deliberate, such as purging tanks at sea, may be subject to criminal penalties; this provision strengthens Community and international measures on maritime pollution;
- on the same day the Council also adopted a framework decision ⁽⁵⁾ which, seeking the same objective of strengthening the criminal-law framework for the enforcement of the law against ship-source pollution, is designed to approximate the legislative and regulatory provisions of the Member States and to reinforce cooperation among judicial authorities.

Inland waterway transport

The safety, efficiency and reliability of inland waterway transport are the focus of the directive on harmonised river information services (RIS) on inland waterways in

⁽¹⁾ COM(2005) 602.

⁽²⁾ COM(2005) 319.

⁽³⁾ COM(2005) 298.

⁽⁴⁾ Directive 2005/35/EC (OJ L 255, 30.9.2005).

⁽⁵⁾ Framework Decision 2005/667/JHA (OJ L 255, 30.9.2005).

the Community, which was adopted by the European Parliament and the Council on 7 September ⁽¹⁾. This new legislation will help to modernise the network of inland waterways in the European Union and make them a competitive alternative and a valuable partner in the transport chain. Based on advanced information and communication technologies, these RIS services will provide information allowing better management of traffic and shipping on inland waterways, as well as better integration of river transport in the logistics chain.

Clean transport

On 21 December the Commission adopted a proposal for a directive on the promotion of clean road transport vehicles ⁽²⁾. The aim is to reduce pollution emissions in the transport sector and to have a positive effect on the market by means of public procurement obligations which would encourage the industry to produce cleaner vehicles.

Trans-European transport networks (TEN-Ts)

The development of TEN-Ts was identified as one of the fundamental actions for the implementation of the Lisbon strategy. In 2005, European coordinators were appointed for selected priority projects. On 30 November the high-level group approved the final report on the extension of the main trans-European transport routes to neighbouring countries and regions.

International developments

As part of the international cooperation between the European Union and its partners in the area of transport, progress was made in negotiations concerning:

- air services with, respectively, Albania, Australia, Azerbaijan, Bosnia and Herzegovina, Bulgaria, Chile, Croatia, the Former Yugoslav Republic of Macedonia, Georgia, Lebanon, New Zealand, Romania, Serbia and Montenegro, Ukraine;
- maritime transport with China;
- satellite navigation systems (Galileo): specific co-financing agreements are planned with China, Israel and Ukraine; agreements were initialled at the end of 2005 with India and Morocco, and discussions are progressing well with Argentina, Australia, Brazil, Canada, Norway, South Korea, and the MEDA programme countries around the Mediterranean.

⁽¹⁾ Directive 2005/44/EC (OJ L 255, 30.9.2005).

⁽²⁾ COM(2005) 634.

Energy: background

The entry into force of the Kyoto Protocol (signed in 1997), global warming, sustainable development and intelligent energy are all topical concerns which prompt a move towards renewable energy sources, but which also encourage the drawing-up of major strategies for rationalising not only the consumption but also the production of energy. The introduction of internal markets in electricity and gas and the dramatic rise in oil prices in 2005 have given renewed impetus to finding an energy policy which reconciles economic and environmental objectives and the security of energy supplies.

Energy efficiency

On 22 June the Commission presented a Green Paper on energy efficiency or 'doing more with less' ⁽¹⁾. The aim of this approach, which is wide-ranging in terms both of its target audience (national, regional and local decision-makers, international institutions, banks and private individuals) and of its scope (production and end-use of energy, industry and services, households, building and transport), is to reverse by 2020 the trend towards ever-increasing energy consumption by achieving a 20 % saving in energy. The Commission points out in particular that half of the target could be achieved if the Member States transposed and implemented the legislation already adopted. It is also planning a number of new measures, such as national annual energy efficiency action plans, better information for citizens and more effective application of the 'polluter pays' principle.

Renewable energy

In order to promote increased use of biomass, the Commission approved an action plan containing measures to encourage demand and increase supply, remove technical barriers and identify priorities for research in this field ⁽²⁾. It also approved a communication ⁽³⁾ concerning the application of Directive 2001/77/EC ⁽⁴⁾ on the promotion of electricity produced from renewable energy sources in the internal electricity market and presenting a plan for coordinating existing systems. The two initiatives are accompanied by impact assessments.

Nuclear energy

There was a major step forward with regard to international cooperation on nuclear research, as the Commission started negotiations on the accession of the European Atomic Energy Community (Euratom) to a framework agreement on research between

⁽¹⁾ COM(2005) 265.

⁽²⁾ COM(2005) 628.

⁽³⁾ COM(2005) 627.

⁽⁴⁾ OJ L 283, 27.10.2001.

the members of the Generation IV International Forum (GIF) ⁽¹⁾. The aim of the latter is to develop fourth-generation nuclear reactors. According to the Commission, the 'Technology roadmap', the main document describing the technical content of the research to be performed, must be accompanied by a binding legal framework so that the Commission and the Member States which are parties to the framework agreement can closely coordinate and harmonise their positions prior to any major decision on the implementation of the framework agreement.

Under the Euratom Treaty, the Commission also continued negotiating bilateral agreements on cooperation for the peaceful use of nuclear energy and the supply of nuclear materials and in the field of research. In 2005 these negotiations resulted in the signing of a cooperation agreement with Ukraine on the peaceful use of nuclear energy. There was also progress in negotiations for a cooperation agreement between Euratom and South Korea on fusion energy research.

Other international developments

The energy dialogue between the European Union and Russia continued with a view to developing a pan-European energy market for the whole continent. Four thematic groups covering investment, infrastructure, energy efficiency and trade will give the required impetus to this common objective. The European Union–Russia summit in October reiterated the importance of the work of these groups.

Talks also began for the first time between the European Union and the Organisation of Petroleum Exporting Countries (OPEC), with two ministerial meetings during the year.

Another step towards greater stability and security in Europe was taken with the signing on 25 October of the Treaty establishing the South East Europe Energy Community. It is the first multilateral treaty concerning south-east Europe and involves the European Union and eight partners in this part of Europe: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the Former Yugoslav Republic of Macedonia, Romania, Serbia and Montenegro ⁽²⁾, and the United Nations Interim Administration Mission in Kosovo (UNMIK). Negotiations are under way with Turkey with a view to its acceding to the Treaty at a later date.

A memorandum of understanding was signed on 1 December between the Union and Ukraine, laying the foundations for close energy cooperation including audits of nuclear safety and of the network of oil and gas pipelines in Ukraine. There were also initiatives involving China and India concerning renewable energy sources, energy efficiency and clean coal.

⁽¹⁾ COM(2005) 222.

⁽²⁾ Including Kosovo (whose status is governed by UN Security Resolution 1244 of 10 June 1999).

Labour mobility

Recognition of professional qualifications

There was a major step forward in 2005 in facilitating the movement of qualified persons between Member States, when on 7 September the European Parliament and the Council adopted a directive on the recognition of professional qualifications ⁽¹⁾. This was the culmination of more than three years of legislative work based on the proposal presented by the Commission following the call by the Stockholm European Council in March 2001 for the introduction of a more uniform, transparent and flexible system than the arrangements under the 15 previous directives in this field. This outcome thus represents the first overall modernisation of the Community system since its conception some 40 years ago.

The new directive lays down reference levels for qualifications for the purpose of mutual recognition among the Member States, while leaving unchanged the rules underlying the general system of recognition applicable to professions for which the minimum training conditions are not coordinated. Also, it seeks to prevent national requirements from being circumvented by having qualifications recognised in another Member State and then applying to the country of origin to recognise them in turn. The regulated liberal professions are also included in the scope of the directive. In addition, in connection with the temporary provision of cross-border services, the exercise of a regulated profession is subject to compliance with the professional and disciplinary rules of the host Member State relating to professional qualifications. The directive also adopts the principle of the automatic recognition under certain conditions of medical or dental specialisations. Lastly, there is provision in the directive for the Commission to consult experts in the professional categories concerned.

Mobility and training

In order to encourage and support transnational mobility for the purposes of education and training, on 23 September the Commission proposed the introduction of a European Quality Charter for Mobility ⁽²⁾. The purpose of the initiative is to establish key principles to improve the planning, implementation and follow-up of the mobility process.

The progress achieved in terms of worker mobility and the coordination of social security systems is described in Chapter III of this Report.

⁽¹⁾ Directive 2005/36/EC (OJ L 255, 30.9.2005).

⁽²⁾ COM(2005) 450.

Progress of the internal market

General strategy

Background

The internal market represents a significant element in the Lisbon strategy, as relaunched in 2005. The main actions in this area at Community level are included in the Lisbon programme. Their proper implementation is thus the responsibility of each Member State. Action at both Community and national levels is therefore required to create and maintain a properly functioning internal market in every sector of the economy, in order to take full advantage of its potential contribution to more growth and jobs and to offer more tangible benefits to all citizens, whether consumers or entrepreneurs.

General trends

Progress was made in 2005 in reducing the transposition deficit in the Member States for internal market legislation. In addition, significant measures were taken to develop administrative cooperation in this area. The pilot phase of the internal market information system was finalised, and the 'Solvit' network for settling disputes was strengthened.

There was some progress in technical terms at Council level on the proposal for a directive on services ⁽¹⁾, with progress too in parliamentary work on the subject, while the European Economic and Social Committee and the Committee of the Regions delivered their opinions on this sensitive issue.

The directive on the recognition of professional qualifications was adopted ⁽²⁾.

With regard to follow-up on the action plan for financial services ⁽³⁾, a broad consultation was launched in the summer, the result of which was to concentrate efforts on its implementation as a key objective of Commission policy in the internal market over the next five years.

In addition, the efforts made during the year to improve the quality of the legislative framework ⁽⁴⁾ should contribute towards better functioning of the internal market and a reduction in the administrative burden on businesses.

⁽¹⁾ COM(2004) 2.

⁽²⁾ See 'Labour mobility' above.

⁽³⁾ COM(1999) 232.

⁽⁴⁾ See 'Better lawmaking' in Chapter I of this Report.

Services of general interest

In an opinion of 9 February the European Economic and Social Committee emphasised that the White Paper presented by the Commission in 2004 with a view to achieving a coherent policy for services of general interest⁽¹⁾ represented a solid basis for developing the conceptual elements of such a policy. It also considered that such services were a major addition to the three-pronged approach (economic, social and environmental aspects) of the Lisbon strategy. As for the Committee of the Regions, commenting on the White Paper in an opinion of 23 February, it considered that such services were part of the value system underpinning the European Union and the Member States. It was convinced that universal access to high-quality services of general interest at reasonable cost was a fundamental aspect of economic, social and territorial cohesion throughout the Union. The Commission for its part, in a report of 23 March⁽²⁾ on the application of the directive on postal services⁽³⁾, confirmed that overall the reform of the postal sector in the EU was well on track.

Financial services

Background

Action plan for financial services

In 1999 the Commission drew up an action plan to improve the single market in financial services over the following five years⁽⁴⁾, based primarily on a timetable of legislative measures to be adopted. In 2004 the Council took the view that the legislative phase had been successfully completed and that priority should henceforth be given to its implementation.

In a resolution of 28 April, the European Parliament welcomed the progress of the action plan for financial services as far as the legislative proposals were concerned, with 39 of the planned measures having already been adopted.

New directives were adopted in 2005. They concerned in particular motor vehicle insurance⁽⁵⁾ and reinsurance⁽⁶⁾. The directive on the capital adequacy of investment firms and credit institutions has been approved by the European Parliament and is now awaiting approval by the Council.

⁽¹⁾ COM(2004) 374.

⁽²⁾ COM(2005) 102.

⁽³⁾ Directive 97/67/EC (OJ L 15, 21.1.1998), as last amended by Directive 2002/39/EC (OJ L 176, 5.7.2002).

⁽⁴⁾ COM(1999) 232.

⁽⁵⁾ Directive 2005/14/EC (OJ L 149, 11.6.2005).

⁽⁶⁾ Directive 2005/68/EC (OJ L 323, 9.12.2005).

A proposal for a directive on payment services ⁽¹⁾ and a proposal for a regulation on information on the payer accompanying transfers of funds ⁽²⁾ were adopted by the Commission, which also presented a series of Green Papers for public consultation:

- on 3 May a Green Paper on financial services policy (2005–10) ⁽³⁾, with the aim of consolidating progress towards an integrated, open and competitive European financial market; it identifies three areas worthy of special attention: investment funds, retail financial services and asset management; these priorities were endorsed by the Council at its meeting on 11 October;
- on 12 July a Green Paper on the enhancement of the EU framework for investment funds in the European Union ⁽⁴⁾, particularly in response to the profound structural changes confronting the European Union fund industry;
- on 19 July a Green Paper on mortgage credit in the European Union ⁽⁵⁾, one of the objectives being to assess the merits of Commission intervention in the sector, and another being to encourage greater integration of the markets in decisive areas such as consumer protection, legal issues, mortgage collateral and the funding of mortgage credit.

In addition, a White Paper on financial services policy (2005–10) ⁽⁶⁾ was adopted on 1 December.

Free movement of capital

Legislative progress was made in 2005 on combating money laundering, against a background of reinforcing measures to combat crime and terrorism. This progress was reflected in the adoption by the European Parliament and the Council of two legislative acts:

- firstly, a regulation on controls of cash entering or leaving the Community ⁽⁷⁾; this regulation requires the Member States to ensure that travellers carrying more than EUR 10 000 in cash, or an equivalent sum in other currencies or easily negotiable instruments, make a declaration when entering or leaving the Union;
- secondly, a directive on the prevention of the use of the financial system for the purpose of money laundering ⁽⁸⁾; this incorporates into EU law the June 2003 revision of the 40 recommendations of the Financial Action Task Force (FATF), the international standard setter in the fight against money laundering and terrorist

⁽¹⁾ COM(2005) 603.

⁽²⁾ COM(2005) 343.

⁽³⁾ COM(2005) 177.

⁽⁴⁾ COM(2005) 314.

⁽⁵⁾ COM(2005) 327.

⁽⁶⁾ COM(2005) 629.

⁽⁷⁾ Regulation (EC) No 1889/2005 (OJ L 309, 25.11.2005).

⁽⁸⁾ Directive 2005/60/EC (OJ L 309, 25.11.2005).

financing. The directive applies to the financial sector and to professionals such as lawyers, notaries, accountants and real estate agents; its scope also encompasses all providers of goods when payments are made in cash in excess of EUR 15 000; those subject to the directive must in particular identify and verify the identity of the customer, apply due diligence to their business relationships with customers, and report suspicions of money laundering or terrorist financing to the public authorities.

Free movement of goods

The Commission continued the monitoring of national measures on the basis of Articles 28 et seq. of the EC Treaty to ensure application of the principle of mutual recognition between Member States (in 2005 the Commission recorded 168 new complaints and cases detected by its own departments in this area) and of Directive 98/34/EC to prevent the creation of new barriers to the internal market and to promote the principles of transparency, prevention and better lawmaking. By 1 December the Member States had notified 664 measures and the Commission had issued 48 reasoned opinions. The Commission's reactions resulted in numerous national texts being adapted to the requirements of Community law. The Commission also examined national measures as part of the management of safeguard clauses invoked by the Member States for derogations from the directives.

The harmonisation of technical regulations continued, with the objective of the free movement of products on the basis of rules ensuring health, safety and environmental protection. Several directives were thus adopted by the European Parliament and the Council concerning motor vehicles (six), medicinal products (one), dangerous preparations (one) and noise emissions by machines (one). Particular mention must be made of the adoption on 6 July of the directive establishing a framework for the setting of ecodesign requirements for energy-using products⁽¹⁾, such as household appliances: while contributing to sustainable development and the security of energy supplies, the new directive aims to guarantee the free movement of such products in the internal market.

For its part, the Commission adopted a series of measures for adaptation to technical progress concerning motor vehicles and tractors (five), cosmetics (three), medicinal products (one) and dangerous substances and preparations (two), and management measures for the directives on construction, electromagnetic compatibility, medical devices and toys. Lastly, it submitted several new proposals on, in particular, paediatric medicinal products, relaxing the rules on authorisation of the placing on the market of medicinal products and the financing of European standardisation.

Other information on the free movement of goods may be found under 'Product policy' (see above).

⁽¹⁾ Directive 2005/32/EC (OJ L 191, 22.7.2005).

Company law and corporate governance

With the aim of facilitating cross-border mergers between companies from different Member States, the European Parliament and the Council adopted a directive designed to reduce the obstacles caused by differences in national laws, while maintaining employee participation rights ⁽¹⁾. In order to restore the credibility of financial information and strengthen the EU's protection against scandals such as the Parmalat affair in 2004, a directive to improve the statutory auditing of company accounts throughout the Union was approved by the European Parliament and is now awaiting approval by the Council. The same applies to the revision of the fourth and seventh directives on company law with regard to accounting.

Intellectual property

On 6 July, by way of protest against the Council's common position in March, which had failed to incorporate any of the amendments tabled by it at first reading, the European Parliament rejected at second reading the proposal for a directive on the patentability of computer-implemented inventions ⁽²⁾.

For its part, on 14 July the Commission presented a report on the development of patent law in the field of biotechnology and genetic engineering ⁽³⁾, with the focus on the issues of gene sequencing and stem cells. On 18 October it adopted a recommendation on collective cross-border management of copyright and related rights for legitimate online music services, with a view to developing the full potential of Internet-based services such as webcasting or downloading music on demand ⁽⁴⁾.

In addition, on 1 December the Council and the European Parliament reached agreement at first reading on the Commission proposal for a regulation allowing companies to produce copies of patented medicines under licence for export to developing countries ⁽⁵⁾. This compulsory licensing regulation is particularly important in view of the EU's relations with these countries. The agreement reached by the two branches of the legislature represented a key political signal for negotiations at the World Trade Organisation (WTO) Ministerial Conference in Hong Kong. In line with the WTO General Council decision of August 2003, the regulation introduces a mechanism whereby companies in the EU can apply for a licence to manufacture, without the authorisation of the patent holder, pharmaceutical products for export to developing countries with public health problems.

⁽¹⁾ Directive 2005/56/EC (OJ L 310, 25.11.2005).

⁽²⁾ COM(2005) 92.

⁽³⁾ COM(2005) 312.

⁽⁴⁾ C(2005) 3764.

⁽⁵⁾ COM(2005) 737.

Data protection

In connection with concerns prompted by the fight against terrorism, on 3 October the Community and Canada signed an agreement under which airlines operating flights to Canada from the Union were authorised to transmit selected passenger data to the Canadian authorities. This provision, similar to that under an agreement of the same type signed with the United States in 2004, is intended to facilitate the identification of passengers who could be a security threat. The European Parliament, which had appealed on a point of law against the earlier agreement, refused its assent on the agreement with Canada at its July part-session.

Clearing and settlement

The Council authorised the Commission to start negotiations with the 'Unidroit' group on the draft convention on greater legal certainty for securities held by intermediaries.

General references and other useful links

- Enterprises:
http://europa.eu.int/comm/enterprise/index_en.htm
- Innovation scoreboard:
<http://trendchart.cordis.lu/>
- Directorate-General for Research:
http://europa.eu.int/comm/research/index_en.cfm
- ITER:
<http://www.iter.org/index.htm>
- Joint Research Centre:
<http://www.jrc.cec.eu.int/>
- Space:
http://europa.eu.int/comm/space/index_en.html
- European Central Bank:
<http://www.ecb.int/>
- Directorate-General for the Information Society and Media:
http://europa.eu.int/comm/dgs/information_society/index_en.htm
- Education:
http://europa.eu.int/comm/education/index_en.html
- Directorate-General for Energy and Transport:
http://europa.eu.int/comm/dgs/energy_transport/index_en.html
- Euratom:
http://europa.eu.int/comm/euratom/index_en.html
- Free movement of workers:
http://europa.eu.int/comm/employment_social/free_movement/index_en.htm
- Internal market:
http://europa.eu.int/comm/internal_market/index_en.htm
- Free movement of capital:
http://europa.eu.int/comm/economy_finance/about/activities/activities_freecapitalmovement_en.htm

Solidarity

Section 1

Consolidation of, and prospects for, economic and social cohesion

Regional dimension

Background

In conjunction with its proposals for the financial perspective covering the 2007–13 period, the Commission proposed, in 2004, a new structure for economic and social cohesion policy after 2006⁽¹⁾. A more targeted approach would thus be employed, using the Structural Funds and the Cohesion Fund, with the aim of addressing three key priorities in an enlarged European Union: a ‘convergence’ objective to support growth and job creation in the least-developed Member States and regions; a ‘regional competitiveness and employment’ objective to encourage change in this field; and a ‘European territorial cooperation’ objective to encourage harmonious and balanced development of the Union’s territory. From the point of view of implementation, the Commission is in favour of more strategic programming, greater decentralisation of responsibilities, stronger partnership accompanied by greater transparency, and simplification of the management system.

A strategy attuned to the Lisbon objectives

Having presented in May a document on the role of cohesion policy in the implementation of the agenda for growth and jobs and on the state of play of the debate on the future of cohesion policy⁽²⁾, the Commission set out, on 5 July,

⁽¹⁾ COM(2004) 492, COM(2004) 493, COM(2004) 494, COM(2004) 495 and COM(2004) 496.

⁽²⁾ COM(2005) 192.

strategic guidelines in this area for 2007–13 ⁽¹⁾. The main purpose of these guidelines is to identify Community priorities within the framework of cohesion policy, thereby creating a stronger tie-in with the Lisbon strategy and helping to implement it in accordance with the integrated guidelines for growth and employment.

The new European cohesion policy was the subject of intense interinstitutional dialogue throughout the year. The European Parliament endorsed all of the Commission's proposals by a vote taken at first reading in July. The Committee of the Regions and the European Economic and Social Committee also lent their support and contributed to the debate on the future of cohesion policy, aiming to bring Europe closer to regional and local policy-makers and to organised civil society.

Establishing a new regulatory framework

Having regard to the future Structural Funds and Cohesion Fund, whose purpose is to finance measures geared to attaining the objectives of economic and social cohesion policy, further progress was made in 2005 towards establishing the regulatory framework for the new policy structure. As regards in particular the new generation of Structural Funds, the Commission sought to take into account the views expressed by the Committee of the Regions, the European Economic and Social Committee and the European Parliament; accordingly, in October it made changes ⁽²⁾ to the initial proposal which it had presented in 2004.

Social dimension

Background

On the social front, 2005 proved to be a pivotal year in terms of the measures scheduled to accompany the Lisbon strategy, which was relaunched in the context of its mid-term review, while the year also saw the transition from one Community-level 'agenda' for social policy to another. It was thus the final year of the 'social agenda' approved in December 2000 by the Nice European Council — a few months after the adoption of the Lisbon strategy — designed to address, over the 2000–05 period, the new social challenges and needs with particular reference to employment and the overall social context, in the light of globalisation and the enlargement of the Union.

The new agenda for social policy

On 9 February the Commission presented the social agenda covering the period up to 2010, using the motto 'A social Europe in the global economy: jobs and opportunities

⁽¹⁾ COM(2005) 299.

⁽²⁾ COM(2005) 523.

for all' ⁽¹⁾. This new approach is expected to provide added value on two levels: facilitating the modernisation of national systems in the face of far-reaching economic and social changes; supporting the harmonious operation of the single market while ensuring respect for fundamental rights and common values. In its communication on this subject, the Commission described the combination of Community instruments needed to improve the quality of implementation of the agenda, and presented the key measures under two major headings reflecting its own strategic objectives throughout its term of office: prosperity and solidarity.

The spring European Council welcomed this initiative by the Commission, which it saw as a contribution towards achieving the objectives of the Lisbon strategy by reinforcing the European social model in the pursuit of full employment and greater social cohesion.

Employment

In January the Commission adopted its draft joint employment report 2004–05 ⁽²⁾, based mainly on the national action plans for employment submitted by the Member States in autumn 2004. This report, which was approved by the Council in March, gives an overview of the employment situation and an assessment of the progress made by the Member States in implementing the relevant guidelines and recommendations. A revised version of those guidelines was adopted in April ⁽³⁾.

In connection with the relaunch of the Lisbon strategy, the Commission set out, on 31 March, its thoughts on the social impact of the restructuring of enterprises ⁽⁴⁾. It believes that such restructuring, if properly anticipated, can be economically and socially beneficial, so long as it is managed quickly and effectively and is backed by sound policies. The Union itself can play a part in this by ensuring, over the long term, that the various policies are consistent and do not cause human capital to be destroyed, by encouraging the participation of all stakeholders and by paying heed to the local dimension, since that is where the anticipation of change is most effective. In September this general approach was welcomed by the European Economic and Social Committee, which also stressed the importance of social dialogue and the involvement of employees. It gave this matter closer attention in the course of its December session. The Committee of the Regions meanwhile delivered its opinion on the Commission communication during its November session.

In a resolution adopted on 9 June, the European Parliament added its voice to the call for the reform of fiscal, economic, employment and financial policies to be

⁽¹⁾ COM(2005) 33.

⁽²⁾ COM(2005) 13.

⁽³⁾ See 'Economic and social environment' in Chapter II of this Report.

⁽⁴⁾ COM(2005) 120.

approached in a consistent way throughout the Member States, taking due account of the European objective of a high level of employment and social protection.

Social protection and inclusion

In January the Commission adopted its draft 'Joint report on social protection and social inclusion' ⁽¹⁾, which focuses on social inclusion and national strategies to fight poverty and social exclusion, but also addresses the question of pensions. It sets out the main conclusions drawn from the application of the open method of coordination, as a contribution to the annual assessment of the Lisbon strategy. The Council adopted the report in March.

Mobility of workers and coordination of social security schemes

One year after its introduction on 1 June 2004, the European health insurance card ⁽²⁾ was being carried by more than 30 million people in the European Union. Such popularity reflects the belief which citizens have in the added value of an instrument for aligning the rights of all categories of insured persons as regards access to healthcare during a temporary stay in a Member State other than the competent State, while simplifying the procedures imposed on the patient. In a resolution adopted on 9 June, the European Parliament stated that it wanted further steps to be taken to promote patient mobility within the Union.

Additionally, the legislation governing the application of social security schemes to workers and their families moving within the Union ⁽³⁾ was amended on 13 April ⁽⁴⁾ for three reasons: to take account of recent developments in the case-law of the Court of Justice; to facilitate the application of this legislation; and to reflect changes in the social security laws of the Member States.

As regards pension rights, with a view to making it easier for workers to change their job or to move from one country to another in keeping with the revised Lisbon strategy, the Commission presented, on 20 October, following widespread consultation, a proposal for a directive aimed at improving the 'portability' of supplementary pension rights ⁽⁵⁾. The intention is to reduce obstacles relating to the conditions for acquiring pension rights, the conditions for preserving 'dormant' pension rights and the transferability of acquired rights. The Commission proposes also to improve the information given to workers on how mobility may affect supplementary pension rights.

Lastly, under the budgetary procedure, the Commission proposed the organisation of a European Year of Workers' Mobility 2006 — Towards a European Labour Market.

⁽¹⁾ COM(2005) 14.

⁽²⁾ Regulation (EC) No 631/2004 (OJ L 100, 6.4.2004).

⁽³⁾ Regulation (EEC) No 1408/71 (OJ L 149, 5.7.1971).

⁽⁴⁾ Regulation (EC) No 647/2005 (OJ L 117, 4.5.2005).

⁽⁵⁾ COM(2005) 507.

Combating discrimination

On 1 June the Commission set out a framework strategy ⁽¹⁾ as a follow-up to its 2004 Green Paper on equality and non-discrimination in an enlarged European Union ⁽²⁾. The main aim of this initiative is to guarantee effective legal protection against discrimination, through an approach which takes account of the fact that there are multiple forms of discrimination and which involves all the stakeholders as well as the general public. This new approach is further reflected in a proposal seeking to make 2007 the European Year of Equal Opportunities for All ⁽³⁾. The European Parliament meanwhile, in a resolution adopted on 9 June, called for the process of social inclusion in the Union's new Member States to be speeded up.

Moreover, the Commission adopted on 28 November a communication on the situation of people with disabilities in the enlarged European Union ⁽⁴⁾, which identifies, among other things, priorities for the second phase (2006–07) of the EU disability action plan (2004–10).

Equality between women and men

On 14 February the Commission adopted its report on equality between women and men ⁽⁵⁾, which is the first to cover the enlarged Union and ties in with the spring European Council. In it, the Commission sets out the main developments in the relative situation of women and men in education, employment and social life.

Moreover, as 2005 marked the 10th anniversary of the Beijing World Conference on Women, various institutions ⁽⁶⁾ reaffirmed the Union's commitment to pursuing the objectives and the action programme laid down at that conference, which took place in September 1995. Additionally, on 7 September, pending the establishment of a new framework programme for 2007–13, the two existing Community action programmes in the field of gender equality, which were due to end on 31 December 2005, were extended for a transitional one-year period ⁽⁷⁾.

On 8 March the Commission proposed the setting-up of a European Institute for Gender Equality ⁽⁸⁾, as an independent agency responsible for providing technical support to the Community institutions and to the Member States, so as to help them carry forward and implement the European Union's gender equality policy. In opinions delivered on 28 September and 12 October respectively, the European Economic

⁽¹⁾ COM(2005) 224.

⁽²⁾ COM(2004) 379.

⁽³⁾ COM(2005) 225.

⁽⁴⁾ COM(2005) 604.

⁽⁵⁾ COM(2005) 44.

⁽⁶⁾ European Economic and Social Committee opinion (9 February); European Parliament resolution (10 March); Council conclusions (2 June).

⁽⁷⁾ Decision No 1554/2005/EC (OJ L 255, 30.9.2005).

⁽⁸⁾ COM(2005) 81.

and Social Committee and the Committee of the Regions set out their views on the situation of women who are vulnerable to poverty, given that their situation is often less secure than that of men. The European Parliament also addressed this topic in a resolution adopted on 13 October.

Social dialogue

On 18 July the Council adopted a directive to implement the agreement between the Community of European Railways (CER) and the European Transport Workers' Federation (ETF) on certain aspects of the working conditions of mobile workers engaged in interoperable cross-border services ⁽¹⁾.

The Commission for its part launched the first phase of social partner consultation on the simplification and rationalisation of reports on the practical implementation of directives relating to the health and safety of workers at work in April. The second consultation phase was launched in October.

The 10th Social Dialogue Summit was held in Brussels on 29 September, chaired by Mr Barroso, President of the Commission. This meeting, coinciding with the 20th anniversary of official EU-level social dialogue, provided an opportunity to look at the social partners' role in the EU strategy for boosting growth and jobs within the framework of the revamped Lisbon strategy.

The demographic situation

On 16 March, just before the Lisbon strategy was relaunched by the spring European Council, the Commission adopted a Green Paper: 'Confronting demographic change: a new solidarity between the generations' ⁽²⁾. The European Union is today faced with demographic change on an unprecedented scale, as a result of three factors: continued lengthening of life expectancy; increasing numbers of people over the age of 60; and a persistently low birth rate. The Commission believes that these demographic changes are shaping a new society and that everyone will have to play a part in confronting them, through the development of new forms of solidarity between the generations. The Union should therefore pursue three priorities: bringing about a return to demographic growth; achieving a balance between the generations; and building new bridges between the stages of life. Through the process of consultation triggered by the Green Paper, the Commission aims also to collect the views of the different parties and stakeholders involved throughout the Union, in order to identify public policies that could be devised or strengthened at both EU and national levels. The Committee of the Regions, which delivered its opinion on this document during its November session, pointed out that the debate should also be conducted at regional and local levels. The European Economic and Social Committee meanwhile, at its December

⁽¹⁾ Directive 2005/47/EC (OJ L 195, 27.7.2005).

⁽²⁾ COM(2005) 94.

session, took the view that long-term solutions, unlike short-term approaches, should seek to change demographic trends.

General references and other useful links

- Structural measures:
http://europa.eu.int/comm/regional_policy/funds/prord/sf_en.htm
- European Social Fund:
http://europa.eu.int/comm/employment_social/esf2000/index-en.html
- Social policy agenda:
http://europa.eu.int/comm/employment_social/social_policy_agenda/social_pol_ag_en.html
- Joint report:
http://europa.eu.int/comm/employment_social/employment_strategy/employ_en.htm
- Coordination of social security schemes:
http://europa.eu.int/comm/employment_social/social_security_schemes/index_en.htm

Section 2

Solidarity with future generations and sustainable development

Environment

Background

Citizens' general awareness of environmental issues has greatly influenced European Union environmental policy, particularly through a general desire to integrate environmental policy into all other policy areas, as exemplified by, for example, the work carried out in connection with the introduction of the Financial Instrument for the Environment (LIFE+) ⁽¹⁾.

European Union environmental policy currently addresses the priority areas for action defined by the sixth Community environment action programme, namely ⁽²⁾:

- *combating climate change;*
- *protecting nature and biodiversity;*
- *preserving the environment, health and quality of life;*
- *preserving natural resources.*

⁽¹⁾ COM(2004) 621.

⁽²⁾ Decision No 1600/2002/EC (OJ L 242, 10.9.2002).

This action programme, which is scheduled to run for 10 years, entrusted the Commission with the task of drawing up seven thematic strategies on:

- *air pollution;*
- *the prevention and recycling of waste;*
- *the protection and preservation of the marine environment;*
- *soil preservation;*
- *reasonable use of pesticides;*
- *sustainable use of resources;*
- *the urban environment.*

Four of those thematic strategies were adopted in 2005, namely those on air, the marine environment, waste and resources. The other strategies are in the process of being finalised.

Sustainable development

Background

Sustainable development can be defined as a better quality of life for all, today and for future generations. It is a vision of progress which embraces economic development, environmental protection and social justice.

In June 2001 the Gothenburg European Council approved a strategy proposed by the Commission for sustainable development ('A sustainable Europe for a better world: A European Union strategy for sustainable development'). This strategy, which complements the Lisbon strategy, proposes measures aimed at the welfare of European citizens and, in particular, climate change, poverty and health risks.

On 9 February the Commission took stock⁽¹⁾ of the comprehensive strategy drawn up in 2001 in order to examine, on the one hand, the progress achieved to date and, on the other, the general guidelines for the future. This assessment is not only a tool in itself, but was also designed to generate reactions from the other institutions, thus making it possible to draw up a second document proposing a revised strategy. The objectives of the Commission communication on the review of the sustainable development strategy adopted on 13 December are to refine the strategy adopted in 2001 and to develop the existing framework⁽²⁾. To this end, it identifies key issues where a strong impetus is needed in the years ahead (climate change and clean energy, public health, migration flows, management of natural resources, sustainable

⁽¹⁾ COM(2005) 37.

⁽²⁾ COM(2005) 658.

transport and development challenges). It also proposes ways of measuring progress and regularly examining priorities, with a view to achieving greater consistency between Member State and EU strategies.

In March the European Council called on the Commission to present a proposal which would serve as a more practical starting-point for institutional discussions. This proposal ⁽¹⁾, which was adopted by the Commission in May and approved by the European Council in June, sets out a list of general objectives underlying the concept of sustainable development, including the need for the European Union to assume its international responsibilities. It also draws from that list 10 guiding principles on which the main Community policies should be based: promotion and protection of fundamental rights; equity between and within generations; open and democratic society; involvement of citizens; involvement of businesses and social partners; consistency of policies at all levels; integration of economic, social and environmental considerations; use of best available knowledge; application of the precautionary principle; application of the polluter-pays principle.

Furthermore, for a number of years, growing environmental concerns have led the European institutions to look into the links between sustainable development and economic, industrial and commercial competitiveness. Those two concepts were combined in the environmental technologies action plan for the European Union (ETAP), launched in 2004, the chief objective of which was to promote synergies between environment and industry by developing environmental technologies ⁽²⁾. At the beginning of the year, the Commission adopted a report on the implementation of this action plan ⁽³⁾. It highlights areas where efforts should be stepped up so that faster progress can be made towards tapping the full potential of environmental technologies, i.e. those which are just as useful as other technologies but do not entail the same environmental costs (wind energy, solar panels, certain cleaning products, etc.).

More sustainable production and consumption — Resources and waste

Sustainable development entails severing the link between economic growth and the negative environmental impacts of using natural resources. The thematic strategy on the sustainable use of natural resources adopted by the Commission at the end of the year ⁽⁴⁾ sets out to contribute to this by identifying the most efficient means of achieving this goal. To this end, it proposes a life-cycle approach to the use of natural resources, which takes account of the extraction, use and disposal phases. This new approach has been applied to another environmental policy area, namely waste policy.

⁽¹⁾ COM(2005) 218.

⁽²⁾ COM(2004) 38.

⁽³⁾ COM(2005) 16.

⁽⁴⁾ COM(2005) 670.

The thematic strategy on the prevention and recycling of waste⁽¹⁾ and the accompanying proposal for a new waste framework directive⁽²⁾ mark the launch of the modernisation of European waste policy. The strategy clearly sets out for the first time the environmental objective of waste policy: to help reduce the negative environmental impacts associated with the use of resources. The aim is to transform European society into a recycling economy which avoids generating waste and uses the material and energy resources contained in waste. The chief proposals lie in introducing national waste-prevention plans and providing the recycling market with a framework by adopting environmental standards. The strategy also contributes towards the implementation of the 'better lawmaking' approach in the waste area⁽³⁾.

The health implications and cross-border effects of certain types of pollution have led the Commission to consider specific strategies for different types of product. One of the main aims of the Community strategy concerning mercury⁽⁴⁾ is to identify not only the special aspects of the mercury problem, such as the high exposure of certain consumers of fish, in which mercury builds up, but also the specific measures to be taken in respect of each objective defined under this strategy. The Council for its part reiterated its desire to reduce mercury emissions and phase out mercury exports by 2011. It also wishes to draw up a legally binding instrument for the phasing-out of mercury production worldwide.

On 13 January the Commission also adopted the list of sites of Community importance for the Boreal biogeographical region in the context of the establishment of the Natura 2000 network⁽⁵⁾.

Emissions trading and climate change

Background

The Kyoto Protocol to the United Nations Convention on Climate Change was signed in December 1997 and came into force on 16 February 2005. The aim of the protocol, which has been ratified by over 150 countries, is to limit greenhouse gas emissions by 2012. Under the protocol, the industrialised countries use a greenhouse gas emission trading scheme to achieve this aim. The European Union greenhouse gas emission trading scheme (ETS) sets an overall limit within which participants may buy or sell emission quotas on the basis of their requirements. In practice, however, effective application of the Kyoto Protocol is hampered by the fact that the United States, which has one of the highest emission rates, has not yet ratified the protocol.

⁽¹⁾ COM(2005) 666.

⁽²⁾ COM(2005) 667.

⁽³⁾ See 'Better lawmaking' in Chapter I of this Report.

⁽⁴⁾ COM(2005) 20.

⁽⁵⁾ Decision 2005/101/EC of 13 January 2005 (OJ L 40, 11.2.2005).

In the context of the global strategy for combating climate change and applying the Kyoto Protocol, the Commission carried out a medium- and long-term analysis of the political, economic and social implications of its international commitments ⁽¹⁾. This paper, which was welcomed by the Council and the Committee of the Regions, should in particular serve as a reference during the discussions on strategies for reducing greenhouse gas emissions. Under the Kyoto Protocol, which entered into force this year, the European Union is committed to reducing its overall emissions of the six greenhouse gases covered by the protocol to 8 % below the 1990 level by 2012. Each EU-15 Member State has an individual target set under a burden-sharing agreement. The other 10 Member States each have reduction targets of 6 % or 8 %, except Cyprus and Malta which have no targets.

The Commission has also taken an interest in a specific case: in a communication of 27 September on reducing the climate change impact of aviation ⁽²⁾, it notes that the growing use of air transport is contributing towards climate change as aircraft become an increasingly significant source of greenhouse gases. For that reason, the Commission proposes including aircraft operators in the ETS. Airline companies would thus be encouraged to reduce their emissions on a permanent basis.

The European Parliament for its part, looking ahead to the international seminar on climate change in Bonn in May, called for the European Union to maintain its leading role in protecting the climate.

Air quality

Background

Air quality is one of the prime environmental concerns of European citizens and, accordingly, of the European legislature, in so far as it affects not only the environment but also public health. The latest research has shown that air quality is one of the main causes of the increase in respiratory disorders.

For that reason, in the sixth Community environment action programme in particular (see above), the Community bodies have taken substantial account of the global strategy in assessing and managing the quality of ambient air.

In 2005 the Commission adopted several reports relating directly or indirectly to air quality ⁽³⁾. It essentially focused on drawing up a thematic strategy on air pollution, which was adopted on 21 September ⁽⁴⁾. In that strategy it proposes not only environmental and human-health objectives aimed at reducing air pollution by 2020

⁽¹⁾ COM(2005) 35.

⁽²⁾ COM(2005) 459.

⁽³⁾ COM(2004) 845, COM(2005) 69, COM(2005) 540, COM(2005) 615 and COM(2005) 655.

⁽⁴⁾ COM(2005) 446.

but above all measures to be taken with a view to modernising existing legislation, reducing emissions of the main pollutants, and integrating environment policy into other policies and programmes. This strategy is accompanied by a proposal for a directive aimed at combining, updating and streamlining the framework directive, the 'daughter directives' and the decision which have governed this area to date ⁽¹⁾.

On 11 August a directive forming part of the strategy for reducing air pollution from ships entered into force ⁽²⁾. It is aimed at extending the existing maximum authorised sulphur-content limits to all petroleum-derived liquid fuel used on board vessels operating in Member States' waters.

Marine environment

Again under the sixth framework programme, the Commission adopted a thematic strategy on the protection and conservation of the marine environment on 24 October ⁽³⁾. This strategy is aimed at promoting an improvement in the quality of Community seas, from both an ecological and economic point of view, by 2021. In a proposal for a directive presented on the same day ⁽⁴⁾, the Commission recommends defining for this purpose European maritime regions based on geographical and environmental criteria. The directive should be implemented at the level of those regions and each Member State should develop maritime strategies for its own territorial waters in close collaboration with other Member States or third countries located in the same maritime region.

Access to information

This year, the European Union took a major step towards involving citizens in an area of major concern to them, namely the environment, thanks to the ratification by the Community of the Aarhus Convention at the beginning of the year. This convention, which was signed in 1998, defines the essential rules for encouraging access to information and public participation in decision-making in environmental matters, and promoting the application of environmental law.

Energy

On 22 June the Commission presented a Green Paper on energy efficiency (see 'Energy efficiency' in Chapter II of this Report).

⁽¹⁾ COM(2005) 447.

⁽²⁾ Directive 2005/33/EC (OJ L 191, 22.7.2005).

⁽³⁾ COM(2005) 504.

⁽⁴⁾ COM(2005) 505.

Agriculture

Background

Reform of the common agricultural policy (CAP)

In 2003 the Council adopted a fundamental reform of the common agricultural policy completed in 2004 (1). The main feature lies in the introduction of a 'single farm payment', aid which is tied not to the volume of production (decoupled aid) but to compliance with environmental, food safety, animal and plant health, and animal welfare standards. This scheme came into force this year, apart from some exceptional cases in which the adaptation of the farm sector requires an extension of the deadline, up to 2007 at the latest.

The other basic elements of this reform are a reduction in direct payments to bigger farms to finance the new rural development policy, the financial discipline mechanism and the revision of CAP market policy, particularly in the milk, cereal, rice, durum wheat, nut, starch potato and dried fodder sectors.

The key idea in the reform of the CAP consists in severing the link between subsidies and production.

The reform of CAP financing scheduled for 2007 is motivated by a need to establish a single framework based on two pillars:

- *grouping together all existing rules under one regulation;*
- *creating two new funds which will apply the same rules in so far as possible: a European Agricultural Guarantee Fund (EAGF) and a European Agricultural Fund for Rural Development (EAFRD).*

The purpose of this single framework is to enable European taxpayers' money to be used in the most rational, transparent and streamlined manner possible.

Content of the common agricultural policy

On 21 June the Council adopted the reform of the financing of the common agricultural policy (2). In addition to the features already mentioned (see box), it also enhances the prospects of recovering overpaid Community funds. This will reinforce budgetary discipline. Community financing is increased (to a total of EUR 13.7 billion per year) and takes account of the entry of new Member States to the European Union, including Bulgaria and Romania on 1 January 2007.

(1) Regulations (EC) Nos 1782/2003 (OJ L 270, 21.10.2003), 795/2004 (OJ L 141, 30.4.2004), 796/2004 (OJ L 141, 30.4.2004) and 1973/2004 (OJ L 345, 20.11.2004).

(2) Regulation (EC) No 1290/2005 (OJ L 209, 11.8.2005).

Crisis management

The CAP reform alters the approach to agricultural production: farmers are now regarded as entrepreneurs and are encouraged to be more market-oriented and, therefore, to assume responsibility for the production and price risks which go with running a farm. For example, crises entailed by natural disasters, outbreaks of animal diseases, plant diseases, and economic and ecological circumstances may threaten the viability of a farm or jeopardise an entire rural area. For that reason, in a communication of 9 March, the Commission identified three types of agricultural risk and crisis management tools which are available in the Member States and at European Union level ⁽¹⁾: financial contribution towards farmers' insurance premiums; setting-up of agricultural mutual funds through the granting of temporary and degressive aid; introduction of new instruments to provide basic cover against income crises.

Rural development

Background

The Commission also wishes to strengthen EU rural development policy and simplify its implementation. For that reason, responding once again to European citizens' concerns, it would like rural development policy to play a more important role in environmental protection and in food safety and quality.

The main features of this new rural development policy are:

- *one funding and programming instrument: the European Agricultural Fund for Rural Development (EAFRD);*
- *a strategic approach with a clearer focus on Community priorities;*
- *reinforced control, evaluation and reporting and, in the context of the clearance of accounts, an audit system covering all aspects of rural development.*

Rural areas make up 90 % of the territory of the enlarged European Union and this reform increases the potential for using rural development funding to stimulate growth, create jobs in rural areas in line with the Lisbon strategy, and improve sustainability in line with the sustainable development strategy.

The Commission proposal on support for rural development by the EAFRD attracted favourable responses from the Committee of the Regions, the European Economic and Social Committee and the European Parliament. However, there were differences of opinion regarding the minimum national contribution rates to be set for each aspect of the reform. The Council decided on 20 September ⁽²⁾: 10 % of the national

⁽¹⁾ COM(2005) 74.

⁽²⁾ Regulation (EC) No 1698/2005 (OJ L 277, 21.10.2005).

appropriation is to be spent on improving the competitiveness of agriculture and forestry, 25 % on the environment and countryside, 10 % on improving quality of life in rural areas and diversifying the rural economy, and 5 % on the Leader approach.

At the same time as it adopted the framework for the rural development policy reform, the Commission examined the strategic guidelines for 2007–13 ⁽¹⁾. Those guidelines set out a strategic approach and a range of options which Member States can use in their national rural development programmes but which will in any event help to:

- identify the areas where the use of Community support for rural development creates the most value added at European Union level;
- establish a link with the main European Union priorities (Lisbon and Gothenburg European Councils);
- ensure consistency with other Community policies, particularly in the field of cohesion and the environment;
- flank the implementation of the new CAP.

Market organisations — Sugar

The common organisation of the market in sugar has remained largely unchanged for 40 years. In order to bring this common market organisation into line with internal and external developments in this sector, the Commission has proposed a wide-ranging reform ⁽²⁾. Following extensive discussions within the institutions and with all the players involved, political agreement was reached within the Council on 24 November. In its broad outlines, this agreement provides for the following: a 36 % reduction in the institutional price of sugar over a four-year period; financial compensation for farmers, payable in the form of decoupled aid integrated into the single farm payment scheme; the merging of quotas into a single production quota; the establishment of a voluntary restructuring fund to provide incentives for the least competitive producers to leave the sector. In addition, the African, Caribbean and Pacific countries will maintain preferential access to the EU market and will benefit from an aid programme worth EUR 40 million in 2006. This agreement is intended to enhance the competitiveness and market-orientation of the sector, and guarantee it a viable long-term future.

Product quality

Faced with growing demand from European consumers and a commensurate adaptation of agricultural production, the Commission presented a European action plan for organic food and farming in 2004 ⁽³⁾. This list of 21 practical measures is aimed at improving information on organic farming, rationalising public support within

⁽¹⁾ COM(2005) 304.

⁽²⁾ COM(2005) 263.

⁽³⁾ COM(2004) 415.

the context of rural development, reinforcing production standards and stepping up research. This year, following in the wake of the Committee of the Regions and the European Economic and Social Committee in 2004, European Parliament issued an opinion in favour of this action plan. It specifies that information campaigns should include environmental and nutritional information on organic products and that research in this field must be a priority of this action plan.

It was with this aim in mind that the Council decided on 20 September to extend the transitional measures in force in order to avoid disrupting trade in organic products ⁽¹⁾.

Forestry strategy

The European Union's forestry strategy dates from 1998 ⁽²⁾. Its cross-cutting approach is based at one and the same time on forestry policies, Community sustainable development policies and rural development policies. In order to consolidate this existing mechanism, the Commission proposed drawing up an action plan for sustainable forest management to coordinate Community action and the national forestry policy of the Member States ⁽³⁾. This move was approved by the Council, which had previously noted the virtual ineffectiveness of the International Arrangement on Forests (IAF) in its conclusions on the fifth session of the United Nations Forum on Forests (UNFF). The two institutions agree that the multidisciplinary of the European forestry strategy is a major asset which allows its objectives to interact with the objectives of other policies, just as European objectives interact with national and international objectives.

Fisheries and maritime affairs

Background

Reform of the common fisheries policy (CFP)

The original objective of the CFP was to preserve fish stocks, protect the marine environment, guarantee the economic viability of European fleets, and provide consumers with good quality food. After 20 years of application, it was considered that the CFP, as designed around those objectives, was in need of an overhaul.

⁽¹⁾ Regulation (EC) No 1567/2005 (OJ L 252, 28.9.2005).

⁽²⁾ Council resolution of 15 December 1998 (OJ C 56, 26.2.1999).

⁽³⁾ COM(2005) 84.

It was, therefore, thoroughly recast in order to achieve biologically, environmentally and economically sustainable fisheries; the new legislation on which the CFP is based has been in force since 1 January 2003 ⁽¹⁾. This reform rests on four key ideas:

- *a long-term approach forming part of the sustainable management strategy for fisheries resources. In this way, the new basic CFP legislation provides for long-term objectives to be set for adult fish stocks;*
- *a new fleet policy, which makes Member States responsible for matching capacity with opportunities, and the phasing-out of public aid to investors, while aid to improve safety and working conditions on board is maintained;*
- *better application of the rules through cooperation between the different authorities concerned;*
- *the involvement of stakeholders and, above all, the sharing of expertise between fishermen and scientists, particularly through the setting-up of regional advisory councils.*

The aim of preserving and managing resources is therefore targeted through a long-term mechanism. This rests on the adoption of two types of multiannual plan: recovery plans aimed at promoting the protection of stocks threatened with collapse and management plans aimed at maintaining other stocks at biologically secure levels.

European Fisheries Fund

In 2004, in the context of the reform of the CFP, the Commission proposed setting up a European Fisheries Fund (EFF) ⁽²⁾. The purpose of this instrument, which is to replace the existing Financial Instrument for Fisheries Guidance (FIFG), is to facilitate the implementation of measures to ensure sustainable fishing and the diversification of economic activities in fishing areas. The idea is to reduce fishing pressure so that stocks can recover and to encourage the use of more environmentally friendly equipment and practices in fisheries and aquaculture, and in the processing and marketing of fisheries products. There is also provision for assisting the fishing regions most seriously affected by job losses by granting them aid to help diversify and strengthen their economies.

This year the Committee of the Regions, the European Economic and Social Committee and the European Parliament all endorsed this proposal.

Community Fisheries Control Agency

On 26 April the Council established the Community Fisheries Control Agency ⁽³⁾. The objective of the Agency is to apply the rules in a more effective manner by pooling

⁽¹⁾ Regulations (EC) Nos 2369/2002 (Community structural assistance in the fisheries sector), 2370/2002 (establishing an emergency Community measure for scrapping fishing vessels) and 2371/2002 (conservation and sustainable exploitation of fisheries resources) (OJ L 358, 31.12.2002).

⁽²⁾ COM(2004) 497.

⁽³⁾ Regulation (EC) No 768/2005 (OJ L 128, 21.5.2005).

Community and national means of controlling fisheries activities and monitoring stocks, and by coordinating implementing measures. To that end, the Agency will organise the deployment of national control and inspection means according to a European strategy. Its tasks and mandate will be defined in close collaboration with the Member States in accordance with Community objectives and priorities.

Conservation and management of resources

Many measures falling within the scope of the objective, laid down in the new basic CFP legislation, of protecting natural resources through multiannual programmes were on the agenda this year, for example adoption by the Commission of a number of proposals, including one on the recovery of the stock of European eel ⁽¹⁾; favourable opinions issued by the European Parliament concerning management measures for the Mediterranean ⁽²⁾; agreement by the Council on 20 December concerning measures for the recovery of sole stocks in the Western Channel and the Bay of Biscay ⁽³⁾; adoption by the Council of regulations establishing measures for the recovery of the southern hake and Norway lobster stocks in the Cantabrian Sea and Western Iberian peninsula ⁽⁴⁾ and of Greenland halibut in the framework of the Northwest Atlantic Fisheries Organisation (NAFO) ⁽⁵⁾ and a regulation on the conservation of fishery resources in the Baltic Sea, the Belts and the Sound ⁽⁶⁾.

The Council meeting on 8 and 9 December also adopted the regulation fixing for the 2006 fishing year the guide prices and Community producer prices for certain fishery products ⁽⁷⁾.

Maritime affairs

In its strategic objectives for the period 2005–09, the Commission notes that there is a particular need for an all-embracing maritime policy aimed at developing a thriving maritime economy and the full potential of sea-based activity in an environmentally sustainable manner. Such a policy should be supported by excellence in marine scientific research, technology and innovation. Against this background, the Commission set up a task force in March to produce a Green Paper on a future EU maritime policy and launch a wide public debate on this issue.

⁽¹⁾ COM(2005) 472.

⁽²⁾ COM(2003) 589.

⁽³⁾ COM(2003) 819.

⁽⁴⁾ Regulation (EC) No 2166/2005 (OJ L 345, 28.12.2005).

⁽⁵⁾ Regulation (EC) No 2115/2005 (OJ L 340, 23.12.2005).

⁽⁶⁾ Regulation (EC) No 2187/2005 (OJ L 349, 31.12.2005).

⁽⁷⁾ Regulation (EC) No 2033/2005 (OJ L 328, 15.12.2005).

Fisheries agreements with third countries

The Commission engaged in a process of renegotiating fisheries agreements and protocols with various third countries. These new partnership agreements in the fisheries sector constitute the best means of guaranteeing sustainable exploitation of resources in the interests of both parties; they also aim to achieve greater consistency among the different Community policies. The Commission initialled such agreements with Morocco, Gabon and Cape Verde in July, October and December respectively.

As regards joint stocks and the annual trading of fishing opportunities in the waters of the north-east Atlantic, the Community concluded an agreement with the Faeroe Islands on fishing opportunities for 2006. In addition, the Commission entered into negotiations with Greenland with a view to concluding a new fisheries agreement in 2007.

General references and other useful links

- Directorate-General for Environment:
http://europa.eu.int/comm/environment/index_en.htm
- Sustainable development:
http://europa.eu.int/comm/sustainable/index_en.htm
- Climate change:
http://europa.eu.int/comm/press_room/presspacks/climate/index_en.htm
http://europa.eu.int/comm/environment/climat/home_en.htm
http://themes.eea.eu.int/Environmental_issues/climate
<http://unfccc.int/2860.php>
- Kyoto Protocol:
<http://untreaty.un.org/English/notpubl/kyoto-en.htm>
<http://www.un.org/millennium/law/xxvii-23.htm>
<http://europa.eu.int/comm/environment/climat/kyoto.htm>
- Directorate-General for Agriculture and Rural Development:
http://europa.eu.int/comm/agriculture/index_en.htm
- Directorate-General for Fisheries and Maritime Affairs:
http://europa.eu.int/comm/fisheries/policy_en.htm

Section 3

Promoting common values

Protecting fundamental rights and combating discrimination

Background

Article 6 of the Treaty on European Union states: 'The Union is founded on the principles of liberty, democracy, respect for human rights and fundamental freedoms, and the rule of law, principles which are common to the Member States.'

The Treaty of Amsterdam was a major step forward in reinforcing European cooperation on justice and home affairs and conferred jurisdiction on the Court of Justice to enforce respect for fundamental rights by all the Community institutions. In June 1999 the Cologne European Council stressed the need 'to establish a charter of fundamental rights in order to make their overriding importance and relevance more visible to the Union's citizens' and proposed establishing an agency for human rights and democracy.

The Charter of Fundamental Rights of the European Union was drafted by a convention consisting of representatives of the Heads of State or Government, the national parliaments, the Commission and the European Parliament and was formally adopted at the Nice European Council in December 2000. It is not legally enforceable for Europe's citizens, but it has serious political implications, due primarily to the fact that it expresses a political consensus reached at the highest level and formulated democratically on what must now be regarded as the catalogue of fundamental rights secured by the Community legal order. Moreover, it encapsulates the common values with which all the citizens of Europe can identify. Its political impact also flows from the commitment given by the Commission and Parliament to respect the rights set forth in it in all their policies and activities.

Instruments for protecting fundamental rights

The protection of fundamental rights in the European Union is currently based primarily on the Charter of Fundamental Rights proclaimed by the Union at the highest level in December 2000. This pillar should become all the stronger with the setting up shortly of a fundamental rights agency for the European Union.

The communication adopted by the Commission on 27 April on compliance with the Charter of Fundamental Rights in its legislative proposals ⁽¹⁾ suggests going further than current practice in securing fundamental rights by working towards a threefold objective: allowing its own departments to check systematically and thoroughly that all the fundamental rights concerned have been respected in all draft proposals; enabling all its Members, in particular the group of Commissioners responsible for fundamental rights, anti-discrimination and equal opportunities, to monitor the

⁽¹⁾ COM(2005) 172.

results of the scrutiny and to promote a ‘fundamental rights culture’; and enhancing the visibility, for the other institutions and for the general public, of the results of this process, thereby also ensuring compliance with fundamental rights in the activities of the two branches of the legislature.

On 30 June, following extensive public consultations that began in October 2004 ⁽¹⁾, the Commission proposed that the remit of the European Monitoring Centre on Racism and Xenophobia established in 1997 be extended and that it be converted into a fully-fledged Agency for Fundamental Rights ⁽²⁾. This independent Agency would have the task of providing the Community institutions and bodies and the Member States with assistance and expertise relating to fundamental rights when implementing Community law, enabling them to fully respect fundamental rights when they take measures or formulate courses of action within their respective spheres of competence.

The European Parliament is strongly committed to fundamental rights and is a staunch advocate of making this plan a reality. It shares the view of the Committee of the Regions that the Agency would be a major component of the ‘network of networks’ composed of the existing European and national institutions dealing with human rights issues. Parliament also emphasises the need for an institutionalised link between the future Agency and the Council of Europe.

In the context of financial tools, on 6 April the Commission proposed establishing a specific programme on fundamental rights and citizenship for the period 2007–13 as part of the general programme on fundamental rights and justice ⁽³⁾. In the field of fundamental rights and citizenship, the goal is to create a genuine fundamental rights culture among all the peoples of Europe and, to this end, the Commission calls for a significant effort to be made to disseminate information on fundamental rights and step up action, legislative action in particular, to promote the application of certain rights.

Annual report on human rights

On 3 October the Council adopted the seventh annual report on human rights in the European Union, covering the period 1 July 2004 to 30 June 2005 ⁽⁴⁾. Reaffirming that the Union is based on the principles of liberty, democracy, and respect for human rights and fundamental freedoms, the Council stresses that the Union has a greater impact within the multilateral system when it speaks with a single voice; and, on the 10th anniversary of the massacre at Srebrenica in the Balkans, it must press on with the slow, laborious and persistent process of cooperation, persuasion, inducement

⁽¹⁾ COM(2004) 693.

⁽²⁾ COM(2005) 280.

⁽³⁾ COM(2005) 122.

⁽⁴⁾ Council: Doc. 12416/05.

and, in the last resort, sanctions. The report devotes a chapter to the human rights situation in the Union, covering issues including the rights of children and women, racism, xenophobia and anti-Semitism, trafficking in human beings, and asylum and immigration.

European Group on Ethics

The second term of the European Group on Ethics in Science and New Technologies, which publishes opinions on topical ethical issues, expired in 2005. The Commission decided to renew the group's mandate ⁽¹⁾ and also to expand its membership ⁽²⁾. These decisions illustrate the Commission's desire to match its activities more closely to the concerns of the general public. This year the group produced a substantial report on the ethical aspects of information and communication technology (ICT) implants in the human body (Opinion No 20). The new group began its work by looking into the ethical aspects of nanomedicine.

Cultural diversity

Cultural policy

Background

Twenty-five Member States (soon to be more), nearly as many languages and cultures that are not necessarily confined within national borders, mean that protecting and promoting cultural diversity in Europe is a fundamental strategic objective for the European Union. Article 151 of the EC Treaty specifies the aims and supplies the legal basis.

The main tool for the implementation of European policy in this area is the Culture 2000 programme, which aims to develop a common cultural area through support for artistic and cultural projects with a European dimension in terms of conception, organisation and execution. Originally set up for a five-year period (2000–04) ⁽³⁾ but subsequently extended to 2005 and 2006 ⁽⁴⁾, this programme encourages creative expression and mobility, access to culture for all, the dissemination of art and culture, intercultural dialogue, and knowledge of the history of the European peoples.

Culture 2000 extends beyond the borders of the European Union in its objective of cultural and artistic cooperation in Europe, involving 30 countries (the 25 Member States of the European Union, the three countries of the European Economic Area — Iceland, Liechtenstein and Norway — and the two acceding countries — Bulgaria and Romania).

The Community action programme to promote bodies active at European level in the field of culture (2004–06) ⁽⁵⁾ amplifies the Culture 2000 programme by providing for operating grants

⁽¹⁾ Decision 2005/383/EC (OJ L 127, 20.5.2005).

⁽²⁾ Decision 2005/754/EC (OJ L 284, 27.10.2005).

⁽³⁾ Decision No 508/2000/EC (OJ L 63, 10.3.2000).

⁽⁴⁾ Decision No 626/2004/EC (OJ L 99, 3.4.2004).

⁽⁵⁾ Decision No 792/2004/EC (OJ L 138, 30.4.2004).

to bodies pursuing an aim of general European interest in the field of culture and grants for actions to protect and commemorate the most important sites and archives related to deportations.

The future Culture 2007 programme⁽¹⁾ now being negotiated is expected to take over a substantial proportion of the activities of the two programmes and amplify them.

Given the symbolic importance and impact of the European Capital of Culture event, to enable the new Member States to join on the same terms as the existing Member States, the European Parliament and the Council adopted an amendment⁽²⁾ to the original 1999 decision⁽³⁾. The Commission also presented a proposal for a decision to improve the process of designating capitals for 2007 to 2019, with a stronger focus on the European dimension⁽⁴⁾.

Also with a view to promoting and protecting cultural exchange and diversity in the European Union, the Commission has proposed that 2008 be designated European Year of Intercultural Dialogue⁽⁵⁾.

On 20 October Unesco adopted the Convention on the Protection and Promotion of the Diversity of Cultural Expressions, negotiated by the Commission on behalf of the Community. This represents a historic consensus, laying the basis as it does for future international governance in the cultural sphere. The international community, including the European Union, now has a series of guiding principles and concepts related to cultural diversity that acknowledge the legitimacy of public policies and the importance of international cooperation. Promoting and protecting cultural diversity using an evenly balanced set of international instruments should enable cultural vulnerability to be remedied, particularly in the developing countries. On 21 December the Commission adopted a proposal for a decision on the conclusion of the convention⁽⁶⁾.

Certain aspects of cultural diversity linked to multilingualism are discussed under 'Teaching, education, learning' in Chapter II of this Report.

⁽¹⁾ COM(2004) 469.

⁽²⁾ Decision No 649/2005/EC (OJ L 117, 4.5.2005).

⁽³⁾ Decision No 1419/1999/EC (OJ L 166, 1.7.1999).

⁽⁴⁾ COM(2005) 209.

⁽⁵⁾ COM(2005) 467.

⁽⁶⁾ COM(2005) 678.

Audiovisual media — Television without frontiers

Background

Audiovisual policy is currently governed by the 'Television without frontiers' directive⁽¹⁾, which applies to the broadcasting of television programmes to the general public with the exception of communication services providing items of information or other messages on individual demand. The underlying principle is that Member States may not restrict the reception of television broadcasts from other Member States on grounds relating to coordinated matters such as the promotion of European or independent productions, advertising, the protection of minors, public policy, and the right of reply. In 2004 the Commission adopted a proposal for a recommendation on the protection of minors and human dignity and the right of reply in relation to the competitiveness of the European audiovisual and information services industry⁽²⁾, the chief aim of which is to protect minors against the undesirable effects of the media.

Given that the 'Television without frontiers' directive dates from 1989, even though it was amended in 1997, the rules on audiovisual services need to be updated, notably in order to reinforce the protection of minors and human dignity (prohibition of incitement to hatred on grounds of race, sex, religion or nationality), seen as one of the priorities of audiovisual policy. The Commission proposal to update the directive was adopted on 13 December⁽³⁾.

MEDIA programme

Background

The aim of the MEDIA programme is to boost the competitiveness of the European film and audiovisual industry through a series of incentives relating to the training of professionals, the development of production projects, the distribution of films and television programmes, and support for film festivals. The European television industry is currently enjoying support from the third-generation MEDIA programmes: MEDIA Plus — Development, distribution and promotion⁽⁴⁾, and MEDIA Training⁽⁵⁾, which came into operation for five years from 2001 and have been extended until 2007⁽⁶⁾. The Commission has proposed a single integrated programme for the period 2007 to 2013 to simplify and combine the two aspects⁽⁷⁾. The aims are as follows: to preserve and enhance Europe's cultural diversity and its cinematographic and audiovisual heritage, guarantee its accessibility for European citizens and promote intercultural dialogue; to increase the circulation of European audiovisual material inside and outside the European Union; and to strengthen the competitiveness of the European film and audiovisual industry in an open and competitive

⁽¹⁾ Council Directive 89/552/EEC (OJ L 298, 17.10.1989).

⁽²⁾ COM(2004) 341.

⁽³⁾ COM(2005) 646.

⁽⁴⁾ Decision 2000/821/EC (OJ L 336, 30.12.2000).

⁽⁵⁾ Decision No 163/2001/EC (OJ L 26, 27.1.2001).

⁽⁶⁾ Decision No 845/2004/EC (OJ L 157, 30.4.2004).

⁽⁷⁾ COM(2004) 470.

market. Action will accordingly be taken both upstream of production, through the training part and the development of European audiovisual works, and downstream of production, through distribution and promotion.

On 14 January the Commission adopted a decision setting up the Education, Audiovisual and Culture Executive Agency ⁽¹⁾ for the management of the MEDIA Plus and MEDIA Training programmes from 1 January 2006.

Migration policy

Various aspects of the formulation and implementation of migration policy are discussed under 'Area of freedom, security and justice' in Chapter IV of this Report.

Youth, active citizenship and sport

Youth policy

Keen to ensure that young Europeans benefit from a set of policies and measures forming a fully integrated part of the Lisbon strategy, the spring European Council approved a European Youth Pact designed to improve the education, training, mobility, vocational integration and social inclusion of young Europeans, while facilitating the reconciliation of working life and family life. On this basis and in the interests of greater consistency, the European Council called on the Union and the Member States, in particular under the European employment strategy and the social inclusion strategy, to draw upon lines of action in various areas in the pact which it specified. It added that the success of the pact would depend on the involvement of all parties concerned, first and foremost youth organisations.

On 30 May the Commission clarified the approach to be followed in implementing the pact in the context of the Lisbon strategy follow-up instruments and mechanisms ⁽²⁾. It reiterated, but more emphatically, points emerging from current or planned integrated guidelines and initiatives that are relevant to the lines of action in the pact. The Commission also confirmed the priorities of the open method of coordination in the youth field (improving participation, information, voluntary activities and knowledge of youth issues) and addressed the question of youth as an element of other policies, including health, efforts to tackle discrimination, research and sport.

Meeting on 23 and 24 May, the Council adopted two resolutions, one on the evaluation of activities conducted in the framework of European cooperation in the youth field and the other on implementing the common objectives for youth information. The Council also noted that young people's readiness for active citizenship did not

⁽¹⁾ Decision 2005/56/EC (OJ L 24, 27.1.2005).

⁽²⁾ COM(2005) 206.

automatically lead them to engage with the institutions of representative democracy, such engagement being one of the common objectives it had defined in November 2003. It accordingly called on the Member States to work towards this objective, in particular by encouraging political parties' awareness of the importance of increasing their youth membership and encouraging the placing of young people on the electoral register. Member States and the Commission were also called on to make an inventory of the existing knowledge about obstacles to young people's active participation, to exchange good practice and to strengthen dialogue between young people and political leaders.

At the second European Youth Week — from 5 to 11 December — young people were able to make their views known at numerous events organised throughout Europe. The Commission organised a conference for young people under the slogan 'Youth takes the floor', at which more than 200 young people were able to discuss the future of Europe with high-level European politicians.

And legislative work continued throughout the year with a view to the adoption of a 'Youth in action' programme (2007–13) ⁽¹⁾.

Active citizenship

On 6 April the Commission proposed a new 'Citizens for Europe' programme ⁽²⁾ to promote active European citizenship from 2007 to 2013. The proposal follows extensive consultations and the programme will replace the current one ⁽³⁾, which is due to expire at the end of 2006. Noting the gap between the public and the European Union, the programme seeks to promote three general objectives: giving citizens the opportunity to interact and participate in constructing an ever closer Europe, united in and enriched through its cultural diversity; forging a European identity, based on recognised common values, history and culture; and enhancing mutual understanding between European citizens, and respecting and celebrating cultural diversity, while contributing to intercultural dialogue. Three types of action will be undertaken: encouragement for direct participation through town twinning and similar types of project; support for civil society organisations at European level; and support for high-profile events, studies and information tools to make Europe a more concrete reality for its citizens.

Sport

The Commission stepped up its endeavours to take fuller account of the educational and social functions of sport. It supported political cooperation with the Member States, launched an enhanced dialogue process with the world of sport, and organised

⁽¹⁾ Commission proposal: COM(2004) 471.

⁽²⁾ COM(2005) 116.

⁽³⁾ Decision 2004/100/EC (OJ L 30, 4.2.2004).

a series of meetings of experts from the Member States on the most relevant aspects of the European dimension in sport.

On 22 December it adopted a communication presenting the main achievements of the European Year of Education through Sport 2004 and proposals for further action on education through sport ⁽¹⁾.

General references and other useful links

- European Group on Ethics in Science and New Technologies:
http://europa.eu.int/comm/european_group_ethics/index_en.htm
- Youth:
http://europa.eu.int/comm/youth/index_en.html
- Active citizenship:
http://europa.eu.int/comm/dgs/education_culture/activecitizenship/index_en.htm
- Town twinning:
http://europa.eu.int/comm/towntwinning/index_en.html
- Sport:
http://europa.eu.int/comm/sport/index_en.html
- European Year of Education through Sport 2004:
<http://www.eyes-2004.info/>
- Education:
http://europa.eu.int/comm/education/index_en.html
- Culture:
http://europa.eu.int/comm/culture/eac/index_en.html
- Audiovisual media:
http://europa.eu.int/comm/avpolicy/index_en.htm

⁽¹⁾ COM(2005) 680.

Security and freedom

Section 1

Area of freedom, security and justice

Implementation of the Hague programme

Background

The Hague programme

In recent years the European Union has played an increased role in establishing police, judicial and customs cooperation and in implementing a coordinated policy on asylum, immigration and external border controls. The issue of the security of the Union and its Member States is even more acute in the aftermath of the terrorist attacks in the United States in 2001, in Madrid in 2004 and in London in 2005.

Ever since the Tampere European Council in 1999, the Union's policy on justice and home affairs has been conducted in a general context. Tampere established the first five-year programme. Even if the original objectives have not all been attained, progress has been made in elaborating a common policy on asylum and immigration, the harmonisation of border controls, police cooperation, cooperation on internal security, and crime policy.

In November 2004, following this initial five-year programme, the Hague European Council adopted a new programme for the Union to run from 2005 to 2009 covering all aspects of the policies in the area of freedom, security and justice, including their external dimension, in particular fundamental rights and citizenship, asylum and immigration, border management, integration, the fight against terrorism and organised crime, judicial and police cooperation, and civil law. The Hague programme is accompanied by a strategy on drugs adopted by the European Council in December 2004.

The first practical steps on the Hague programme were taken in the spring of 2005.

On 10 May the Commission defined 10 specific priorities on which it felt efforts should be focused in the years ahead ⁽¹⁾, including working towards a global response to terrorism, developing integrated management of external borders, developing a strategic concept on tackling organised crime, and guaranteeing an effective European law enforcement area for all. These priorities were accompanied by a list of legislative and non-legislative measures approved by the Council on 2 and 3 June. This joint action plan — Council and Commission — was well received by the June European Council, which particularly welcomed the emphasis given by it to operational cooperation between the various actors involved in the Union's internal security.

On 12 October the Commission proposed a strategy on the external dimension of the area of freedom, security and justice ⁽²⁾, designed in particular to promote the rule of law, stability and security outside the Union. The Council adopted the strategy on 12 December, regarding it as a vital priority in the external relations of the Union, which must establish a coherent coordinated approach on this front.

European law enforcement area

Civil and commercial justice

In a report presented on 9 February ⁽³⁾ the Commission conducted a mid-term review of implementation of the framework programme for judicial cooperation in civil matters (2002–06). The main purpose of the programme is to provide practical and directly usable information on recent developments in European law, and three major projects have been financed so far: the European Judicial Atlas, a case-law database, and an information campaign targeting legal practitioners.

The Commission also took a series of initiatives to simplify and rationalise the application of civil law in the Community.

In March it published two Green Papers: the first, adopted on 1 March, concerns succession and wills ⁽⁴⁾ and focuses on the priority to be given to rules on the conflict of laws; and the second, presented on 14 March, addresses applicable law and jurisdiction in divorce matters in the case of couples of different nationality or living in different Member States ⁽⁵⁾.

⁽¹⁾ COM(2005) 184.

⁽²⁾ COM(2005) 491.

⁽³⁾ COM(2005) 34.

⁽⁴⁾ COM(2005) 65.

⁽⁵⁾ COM(2005) 82.

On 15 March the Commission adopted a proposal for a regulation establishing a European small claims procedure ⁽¹⁾ to simplify and speed up the settlement of small claims and reduce costs. The new rules, which would apply to civil and commercial claims for amounts of less than EUR 2 000, would be based on flexible arrangements such as the use of purely written procedures, including e-mail, and videoconferencing, taking evidence by telephone, and allowing parties to dispense with legal representation. On 7 July the Commission presented a proposal for a regulation to improve the current provisions on the service in the Member States of judicial and extrajudicial documents in civil or commercial matters ⁽²⁾. The proposed changes would simplify and expedite the procedures.

On 12 April the Council adopted a regulation taking account of the changes to insolvency law in the Member States ⁽³⁾.

On 9 December the Commission proposed that the Community accede to the Hague Conference on Private International Law ⁽⁴⁾. One of the aims of this initiative is to give the Community a status commensurate with its new role as a major international player in the field of judicial cooperation in civil matters and to enable it to participate in the negotiation of conventions in areas of its competence.

On 15 December the Commission adopted a proposal for a regulation on the law applicable to contractual obligations ⁽⁵⁾ in order to modernise the 1980 Rome Convention, which harmonises the rules in this area. On the same day it presented a communication calling for the co-decision procedure to be applied to all measures relating to judicial cooperation in civil matters concerning maintenance obligations ⁽⁶⁾. It also presented a proposal for a regulation to make it easier for maintenance creditors to obtain an enforcement order capable of circulation without obstacles in the European law enforcement area and enabling regular payment of the amounts due ⁽⁷⁾.

Criminal justice

On 25 January the Commission presented a White Paper on exchanges of information on convictions and the effect of such convictions in the European Union ⁽⁸⁾, in which it proposes an action programme to establish a computerised system for such exchanges of information on convictions and disqualifications in the Union, identified by the Hague programme as a matter of urgency. In a communication adopted on

⁽¹⁾ COM(2005) 87.

⁽²⁾ COM(2005) 305.

⁽³⁾ Regulation (EC) No 603/2005 (OJ L 100, 20.4.2005).

⁽⁴⁾ COM(2005) 639.

⁽⁵⁾ COM(2005) 650.

⁽⁶⁾ COM(2005) 648.

⁽⁷⁾ COM(2005) 649.

⁽⁸⁾ COM(2005) 10.

19 May ⁽¹⁾, the Commission outlined its thinking on further work on implementing the principle of mutual recognition of judicial decisions in criminal matters and on the initial components of an action programme to strengthen mutual trust between Member States.

In a recommendation passed on 22 February the European Parliament called on the European Council and the Council to initiate action on the harmonisation of criminal law in the Member States and to define a quality charter for criminal justice in Europe.

On 24 February the Council adopted two framework decisions: the first is designed to ensure that all the Member States have effective rules governing the confiscation of crime-related proceeds, instrumentalities and property ⁽²⁾; and the second concerns the application of the principle of mutual recognition to financial penalties ⁽³⁾. On 21 November the Council adopted a decision to improve the exchange of information extracted from the criminal record ⁽⁴⁾. On 22 December the Commission presented a proposal on the organisation and content of such exchange ⁽⁵⁾.

On 17 March the Commission proposed a new framework decision on taking account of convictions in the Member States in the course of new criminal proceedings for different facts ⁽⁶⁾. On 23 November it presented a communication on the implications of the judgment handed down by the Court of Justice on 13 September ⁽⁷⁾, clarifying the distribution of powers as regards provisions of criminal law between the first and third pillars. On 23 November, on the basis of that judgment, the Commission decided to bring an action in the Court of Justice for annulment of the framework decision of 12 July to strengthen the criminal-law framework for the enforcement of the law against ship-source pollution ⁽⁸⁾.

In January and February the Commission presented two reports on national measures taken to comply with the Council framework decision of 13 June 2002 on joint investigation teams ⁽⁹⁾ and the Council framework decision of 13 June 2002 on the European arrest warrant and the surrender procedures between Member States ⁽¹⁰⁾.

⁽¹⁾ COM(2005) 195.

⁽²⁾ Framework Decision 2005/212/JHA (OJ L 68, 15.3.2005).

⁽³⁾ Framework Decision 2005/214/JHA (OJ L 76, 22.3.2005).

⁽⁴⁾ Decision 2005/876/JHA (OJ L 322, 9.12.2005).

⁽⁵⁾ COM(2005) 690.

⁽⁶⁾ COM(2005) 91.

⁽⁷⁾ Case C-176/03. See also 'Case-law of the Court of Justice' in Chapter II of this Report.

⁽⁸⁾ Framework Decision 2005/667/JHA (OJ L 255, 30.9.2005). See also 'Transport and energy' in Chapter II of this Report.

⁽⁹⁾ COM(2004) 858.

⁽¹⁰⁾ COM(2005) 63.

Police and customs cooperation

Europol and CEPOL

On 12 July the Council designated Europol as the Central Office for combating euro counterfeiting ⁽¹⁾. On 20 September it revised the rules governing the European Police College (CEPOL), established in 2000 ⁽²⁾.

Cooperation at borders

On 18 July the Commission adopted a proposal for a decision to promote strategic and operational police cooperation between the Member States, especially at the internal borders, and to amend certain articles of the Convention implementing the Schengen Agreement accordingly ⁽³⁾.

Data protection and exchange of information

On 4 October the Commission presented a proposal for a Council framework decision on the protection of personal data processed in police and judicial cooperation in criminal matters, in particular with a view to giving effect to the principle of availability ⁽⁴⁾. Under this principle certain types of information available to the authorities of the Member State that controls it are also made available to the equivalent authorities in the other Member States and to Europol. And on 12 October the Commission proposed a second framework decision to implement the principle of availability ⁽⁵⁾. On 24 November it adopted a communication on improved effectiveness, enhanced interoperability and synergies among European databases in the area of justice and home affairs ⁽⁶⁾.

Fight against terrorism, crime and drugs

General approach

To ensure adequate resources for the area of freedom, security and justice under the 2007–13 financial perspective, the Commission presented a communication and two proposals for decisions on 6 April ⁽⁷⁾. The communication establishes a framework programme on security and safeguarding liberties, with objectives including cooperation between law enforcement services and the development of public–private partnerships in crime prevention. Each of the proposals for decisions concerns

⁽¹⁾ Decision 2005/511/JHA (OJ L 185, 16.7.2005).

⁽²⁾ Decision 2005/681/JHA (OJ L 256, 1.10.2005).

⁽³⁾ COM(2005) 317.

⁽⁴⁾ COM(2005) 475.

⁽⁵⁾ COM(2005) 490.

⁽⁶⁾ COM(2005) 597.

⁽⁷⁾ COM(2005) 124.

a separate instrument to give effect to the strategy defined in it: a specific programme for the prevention, preparedness and consequence management of terrorism and a specific programme for the prevention of and fight against crime.

Fight against terrorism

The terrorist attacks in London in early July were strongly condemned by the institutions and other bodies of the European Union. In a declaration issued on 13 July the Council described these acts as an affront to the universal values on which the Union is based and stressed its commitment to the rapid adoption of a number of legislative instruments designed to prevent and combat terrorism. The Member States agreed that the timely and proper implementation of existing instruments to combat terrorism was a major objective.

More generally, the fight against terrorism has been a recurring preoccupation of all the Union institutions throughout the year.

In legislative terms, on 24 February the Council adopted a framework decision to strengthen cooperation between the authorities of the Member States in the prevention of attacks against information systems ⁽¹⁾. In March ⁽²⁾, June ⁽³⁾ and October ⁽⁴⁾ it updated the list of persons and entities against whom specific restrictive measures such as bank account freezing orders are directed with a view to fighting terrorism. On 20 September it set up a mechanism to improve exchanges of information between Member States and the relevant European Union bodies on terrorist offences ⁽⁵⁾.

In December the Council prepared a European Union counter-terrorism strategy that was adopted by the European Council held on 15 and 16 December. It enshrines the Union's strategic commitment 'to combat terrorism globally while respecting human rights, and make Europe safer, allowing its citizens to live in an area of freedom, security and justice'. It consists of four basic strands: prevention, protection, pursuit and response. Prevention, by tackling the factors or root causes which can lead to radicalisation and recruitment, in Europe and internationally, involves Union action to stop people from turning to terrorism. Protection focuses on citizens and infrastructure: vulnerability to attack is reduced by greater security at borders, in transport and in critical infrastructure. Pursuit relates solely to investigating, and pursuing and prosecuting, terrorists within Europe and beyond: anti-terrorism enforcement involves impeding planning, travel and communication by terrorists, disrupting support networks and cutting off funding and access to the supplies needed for attacks; but the chief aim is still to bring terrorists to justice. If prevention, protection and pursuit fail, then there has to be a response, readiness in a spirit of solidarity to face the

⁽¹⁾ Framework Decision 2005/222/JHA (OJ L 69, 16.3.2005).

⁽²⁾ OJ L 69, 16.3.2005.

⁽³⁾ OJ L 144, 8.6.2005.

⁽⁴⁾ OJ L 272, 18.10.2005.

⁽⁵⁾ Decision 2005/671/JHA (OJ L 253, 29.9.2005).

consequences of a terrorist attack and limit them as far as possible by improving the capacity to manage the effects of an attack, coordinating the response and seeing to the needs of victims.

On 7 June the European Parliament issued a set of recommendations to the European Council and the Council concerning various aspects of the fight against terrorism (assistance for victims, exchanges of information, terrorist financing, protection of critical infrastructure, etc.).

In a communication adopted on 18 July the Commission identified measures to ensure greater security in explosives, detonators, bomb-making equipment and fire-arms ⁽¹⁾. In a communication concerning terrorist recruitment and violent radicalisation ⁽²⁾ adopted on 21 September it made an initial contribution to the development of a European Union strategy in this area. It shows how the different Union policies could be deployed or used better to make it easier to take account of the various factors that contribute to violent radicalisation but conceded that the strategy would necessarily be long term and that the approach would have to be refined as and when better knowledge was acquired.

Also on 21 September the Commission presented a proposal for a directive harmonising provisions on the retention of data processed in connection with the provision of public electronic communication services ⁽³⁾ designed to enable the relevant authorities to have access to this information for the purposes of combating terrorism and organised crime. On 22 December it presented a proposal for a decision on the transmission of information resulting from the activities of security and intelligence services with respect to terrorist offences ⁽⁴⁾.

On 17 November, following up its October 2004 communication on critical infrastructure protection in the fight against terrorism ⁽⁵⁾, the Commission adopted a Green Paper to elicit reactions to the various scenarios for the establishment of a programme of action ⁽⁶⁾. On 23 December it presented the provisions it intends to put in place as part of the Argus general rapid alert system ⁽⁷⁾.

The objective of the proposal for a decision adopted by the Commission on 24 November concerning access for consultation of the visa information system (VIS) ⁽⁸⁾ is to establish the required legal basis to allow Member States' authorities responsible for internal security and Europol to access the system. This will enable

⁽¹⁾ COM(2005) 329.

⁽²⁾ COM(2005) 313.

⁽³⁾ COM(2005) 438.

⁽⁴⁾ COM(2005) 695.

⁽⁵⁾ COM(2004) 702.

⁽⁶⁾ COM(2005) 576.

⁽⁷⁾ COM(2005) 662.

⁽⁸⁾ COM(2005) 600.

them to consult the VIS for the purposes of the prevention, detection and investigation of terrorist offences and other types of crime and offences in respect of which Europol is competent to act.

On 29 November the Commission adopted a communication making a major contribution to two aspects of the fight against terrorist financing, notably coordination and exchange of information between national bodies and greater transparency of non-profit organisations ⁽¹⁾.

Fight against crime

The concern to strengthen the fight against organised crime was behind a series of Commission initiatives on a number of fronts. On 19 January it presented a proposal for a Council framework decision ⁽²⁾ to replace the 1998 provisions concerning offences relating to participation in a criminal organisation in the Member States. A more general communication adopted on 2 June ⁽³⁾ argues in favour of developing a genuine strategic concept on tackling organised crime which should make it possible to improve knowledge of the phenomenon of organised crime and to strengthen prevention, investigation and cooperation in the Union in conjunction with the action plan to implement the Hague programme (see above). On 12 July, with a view to establishing a Union criminal-law response to intellectual property violations, the Commission presented a proposal for a directive on criminal measures aimed at ensuring the enforcement of intellectual property rights and a proposal for a framework decision to strengthen the criminal-law framework to combat intellectual property offences ⁽⁴⁾.

Fighting trafficking in human beings

In response to the communication presented by the Commission on 18 October ⁽⁵⁾, the Council adopted an action plan for fighting trafficking in human beings based on an integrated approach combining policies on human rights, security and justice, non-discrimination and external relations.

Drugs

The main breakthrough in 2005 was the adoption by the Council on 27 June of a European Union drugs action plan (2005–08). This was based on the Commission communication of 14 February ⁽⁶⁾ and is part of the EU drug strategy (2005–12) approved by the European Council in December 2004. The action plan provides all

⁽¹⁾ COM(2005) 620.

⁽²⁾ COM(2005) 6.

⁽³⁾ COM(2005) 232.

⁽⁴⁾ COM(2005) 276.

⁽⁵⁾ COM(2005) 514.

⁽⁶⁾ COM(2005) 45.

those involved in the Union with guidelines for prioritising their activities. It contains some 80 actions, allocates responsibilities and sets deadlines for implementation; assessment tools and indicators have been introduced for each action. On 10 May the Council put in place a system for rapid information exchange on new psychoactive substances ⁽¹⁾.

On 31 August the Commission presented a new proposal for a regulation redefining the role and operation of the European Monitoring Centre for Drugs and Drug Addiction ⁽²⁾.

Border management and immigration

Migration flows, asylum and immigration

On 11 January the Commission published a Green Paper on an EU approach to managing economic migration ⁽³⁾. The aim was to launch a process of in-depth discussion, also involving civil society, on the most appropriate form of Community rules for admitting economic migrants and on the added value of adopting such a common framework. The initiative comes under the Hague programme, and reactions have been received from the European Economic and Social Committee (June), the Committee of the Regions (July) and the European Parliament (October).

On 16 March the Council established a secure Internet-based information and coordination network for Member States' migration management services ⁽⁴⁾.

In the context of the proposals designed to ensure adequate support for the area of freedom, security and justice under the 2007–13 financial perspective, the Commission presented a communication establishing a framework programme on solidarity and management of migration flows on 6 April ⁽⁵⁾. It recommends that financial solidarity mechanisms be put in place by creating four funds: the European Refugee Fund, the External Borders Fund, the European Fund for the Integration of Third-country Nationals and the European Return Fund. The Committee of the Regions endorsed this approach in November.

On 1 September the Commission presented a series of initiatives relating to the situation of migrants:

- first, guidelines for the establishment of regional protection programmes to enhance the protection capacity of the regions involved and better protect the

⁽¹⁾ Decision 2005/387/JHA (OJ L 127, 20.5.2005).

⁽²⁾ COM(2005) 399.

⁽³⁾ COM(2004) 811.

⁽⁴⁾ Decision 2005/267/EC (OJ L 83, 1.4.2005).

⁽⁵⁾ COM(2005) 123.

refugee population there by providing durable solutions ⁽¹⁾; this approach was endorsed by the Council on 12 October and again on 7 November;

- second, following on from the January Green Paper (see above), the outline of a common agenda for integration ⁽²⁾ designed to encourage efforts by the Member States to develop comprehensive national integration strategies, for example by promoting inter-faith dialogue and the education of immigrants, beginning with the language of the host country;
- third, a number of concrete orientations to improve the impact of migration on development in the country of origin ⁽³⁾, for example by facilitating remittances from migrants to their home countries or encouraging them to return temporarily so as to share their newly acquired skills with their compatriots; and
- fourth, a proposal for a directive on common standards and procedures in Member States for returning illegally staying third-country nationals ⁽⁴⁾.

On 10 October the Commission proposed establishing a mutual information procedure concerning Member States' measures in the areas of asylum and immigration ⁽⁵⁾. And on 28 November it adopted a Green Paper on the future of the European migration network ⁽⁶⁾, evaluating the operation of the current network set up in 2002 as a pilot action and looking at points to be considered in the decision on a future structure. And on 22 December it presented an action programme on legal migration for 2006–09 ⁽⁷⁾.

On 12 October the Council adopted a directive on a specific procedure for admitting third-country nationals for the purposes of scientific research ⁽⁸⁾. In conclusions adopted the same day, it stated that voluntary return management was an important component of a balanced and sustainable approach to dealing with migration flows. On 1 December the Council laid down minimum standards on procedures in Member States for granting and withdrawing refugee status ⁽⁹⁾. Although the Member States are not required to apply uniform procedures, the aim is to speed up the process of examining asylum requests.

Regarding cooperation with third countries, agreements on the readmission of persons residing without authorisation were concluded with Albania and Sri Lanka. At its 2 and 3 June meeting the Council called on the Commission to engage in exploratory discussions with Libya to identify practical measures to tackle illegal immigration. In a communication adopted on 28 July the Commission provided the Council with

⁽¹⁾ COM(2005) 388.

⁽²⁾ COM(2005) 389.

⁽³⁾ COM(2005) 390.

⁽⁴⁾ COM(2005) 391.

⁽⁵⁾ COM(2005) 480.

⁽⁶⁾ COM(2005) 606.

⁽⁷⁾ COM(2005) 669.

⁽⁸⁾ Directive 2005/71/EC and Recommendation 2005/762/EC (OJ L 289, 3.11.2005).

⁽⁹⁾ Directive 2005/85/EC (OJ L 326, 13.12.2005).

information to help it evaluate whether additional efforts were necessary as regards cooperation with a number of third countries in the field of illegal immigration ⁽¹⁾.

Towards an overall approach

At their informal meeting at Hampton Court in October, the Heads of State or Government called for the adoption of an overall approach to migration. The Commission responded on 30 November with the first follow-up to Hampton Court in the form of a communication setting out the priorities for action in the context of ongoing work on development, external relations (in particular the European neighbourhood policy), and freedom, security and justice ⁽²⁾. The December European Council welcomed this communication and adopted a global approach to migration covering the following areas: strengthening cooperation and action between Member States, increasing dialogue and cooperation with African States, increasing dialogue and cooperation with neighbouring countries covering the entire Mediterranean region, and funding and implementation.

Visas, crossing of borders and internal movement

On 26 April, in a highly symbolic move, the Council decided that the European Agency for the Management of Operational Cooperation at the External Borders of the Member States of the European Union, established in 2004, would be located in Warsaw ⁽³⁾.

On 2 June the Council modified ⁽⁴⁾ the reciprocity mechanism established by Regulation (EC) No 539/2001 to enable it to deal with situations of non-reciprocity, where a third country maintains or introduces a visa requirement for nationals from one or more Member States.

On 14 December the European Parliament and the Council signed a regulation relating to measures envisaged to facilitate the procedures for applying for and issuing visas for members of the Olympic family taking part in the 2006 Olympic and/or Paralympic Winter Games in Turin ⁽⁵⁾. This regulation is based on excellent experience the first time round at the Athens Olympic Games in 2004.

The Commission has put in hand the laying down of Community rules for local border traffic at the external land borders of the Member States. On 23 February it presented a proposal for a regulation defining the specific conditions and documents required ⁽⁶⁾. On 22 August, to facilitate the transit of persons moving within the European Union, it

⁽¹⁾ COM(2005) 352.

⁽²⁾ COM(2005) 621.

⁽³⁾ Decision 2005/358/EC (OJ L 114, 4.5.2005).

⁽⁴⁾ Regulation (EC) No 851/2005 (OJ L 141, 4.6.2005).

⁽⁵⁾ Regulation (EC) No 2046/2005 (OJ L 334, 20.12.2005).

⁽⁶⁾ COM(2005) 56.

proposed introducing a simplified regime for their control for application by the new Member States pending their full participation in Schengen and, more specifically, for holders of residence permits issued by Liechtenstein and Switzerland ⁽¹⁾.

Schengen information system (SIS)

Council Decision 2005/211/JHA of 24 February authorises access to the SIS for Europol and Eurojust and provides for the introduction of new functions into the system, including less cumbersome procedures for information exchanges between competent authorities ⁽²⁾. On 6 July the European Parliament and the Council adopted a regulation giving the services in the Member States responsible for issuing registration certificates for vehicles the right to have access to data in SIS for the purpose of checking whether the vehicles presented to them for registration have been stolen, misappropriated or lost ⁽³⁾.

The Commission has been working on putting the second-generation Schengen information system (SIS II) into operation. On 31 May it presented a proposal for a regulation ⁽⁴⁾ and a proposal for a decision ⁽⁵⁾ laying down common provisions on the architecture and financing of SIS II and the functionalities, responsibilities and general rules applicable to the system.

General references and other useful links

- Area of freedom, security and justice:
http://europa.eu.int/comm/justice_home/index_en.htm
- Eurojust:
<http://www.eurojust.eu.int/>
- Europol:
<http://www.europol.eu.int/>
- European Police College (CEPOL):
<http://www.cepol.net/>

⁽¹⁾ COM(2005) 381.

⁽²⁾ OJ L 68, 15.3.2005.

⁽³⁾ Regulation (EC) No 1160/2005 (OJ L 191, 22.7.2005).

⁽⁴⁾ COM(2005) 236.

⁽⁵⁾ COM(2005) 230.

Section 2

Risk management

Health

Environment and health

Background

In 2004 the Commission launched the European environment and health action plan 2004–10⁽¹⁾, geared to studying the adverse health effects of pollution and finding preventive solutions on the basis of systematic cooperation and interaction between the environment, health and research sectors.

The aim of this ambitious project is to reduce the number of diseases caused by environmental pollution, by means of a system for gathering relevant information at EU level. Thirteen activities are identified, including measures to improve understanding of the link between the environment and health, and to determine how environmental exposure can have epidemiological consequences. The plan provides for research activities, for example on asthma and allergies, neuro-developmental disorders, cancers and endocrine disruption effects. It seeks also to raise awareness of the risks facing citizens and to promote the training of environment and health specialists. The possibility of introducing biomonitoring at EU level is a further element, with a view to measuring exposure to pollutants present in the environment.

Early in 2005 the European Parliament delivered its opinion on the above action plan. Noting that only four of the 13 activities had at that point been implemented, Parliament considered that there was too great a gap between the ambitions of the plan and the implementing measures actually put in place. It also stressed the need to allocate a sizeable budget to the action plan and to make provision for appropriate funding as quickly as possible.

Since mercury and its compounds are highly toxic to humans, ecosystems and wildlife, the Commission adopted a Community strategy concerning mercury on 28 January⁽²⁾. The main aim is to reduce levels of mercury in the environment through the implementation of 20 actions throughout the Community and internationally.

Public health

The avian influenza virus, which is still hitting Asia hard, moved towards Europe in 2005. This is an aggressive and highly contagious virus which affects poultry and wild

⁽¹⁾ COM(2004) 416.

⁽²⁾ COM(2005) 20.

birds. With cases having been established in Croatia, Romania, Russia and Turkey, the Commission was forced to take a number of import-related measures designed to protect the Union from possible contamination. Having consulted groups of veterinary experts on several occasions so that as much information as possible would be available to help European health services take appropriate measures, the Commission presented a proposal for a directive adapting the existing Community measures, which the Council adopted at its last meeting of the year ⁽¹⁾. The Commission also presented a comprehensive Community plan for coping with the threat of avian influenza and a human influenza pandemic ⁽²⁾, seeking primarily to revise the definition of avian influenza and the surveillance requirements so as to improve the prospects for preventing and eliminating outbreaks and to reduce the health risks, costs, losses and damage caused by this disease.

In preparation for a possible influenza pandemic and in the light of past experience involving, for example, SARS (severe acute respiratory syndrome), the Commission adopted, on 28 November, a Community plan for strengthening the European Union's capacity to react to public health emergencies through better coordination and preparedness planning ⁽³⁾.

In Europe, inadequate diet is one of the main causes of obesity and of many chronic, non-communicable but avoidable diseases. Accordingly, in 2003 the Commission set about regulating the nutritional and health claims made in respect of foods ⁽⁴⁾. The resultant proposal for a regulation imposes strict conditions on the use of nutritional claims such as 'low fat'. The European Parliament broadly endorsed the proposal in 2005 and the Council adopted a common position on the matter. Like the Commission, the Council is anxious to allow only claims which are clear to the consumer, while the person marketing the food must be able to justify the claim made. In addition, on 8 December the Commission adopted a Green Paper 'Promoting healthy diets and physical activity: a European dimension for the prevention of overweight, obesity and chronic diseases' ⁽⁵⁾. The purpose of this initiative is to invite contributions on a wide range of obesity-related themes with a view to taking Community-level action which could supplement, support and coordinate the existing national measures.

On 27 July the Commission presented its first report ⁽⁶⁾ on the application of the tobacco products directive ⁽⁷⁾. This directive forms part of a comprehensive anti-tobacco policy, encompassing the addition of legislative measures, support for Europe-wide activities geared to the prevention and cessation of smoking, and incorporation of the anti-smoking approach into a range of other Community policies.

⁽¹⁾ Directive 2005/94/EC (OJ L 10, 14.1.2006).

⁽²⁾ COM(2005) 607.

⁽³⁾ COM(2005) 605.

⁽⁴⁾ COM(2003) 424.

⁽⁵⁾ COM(2005) 637.

⁽⁶⁾ COM(2005) 339.

⁽⁷⁾ Directive 2001/37/EC (OJ L 194, 18.7.2001).

Food safety

Background

Community policy in the field of food safety is constructed around the objective of guaranteeing a high level of protection of human health and consumers' interests, with due regard to the diversity of products, while ensuring that the internal market functions efficiently.

In the wake of the mad cow crisis (bovine spongiform encephalopathy — BSE) at the end of the 1990s, the objectives of Community policy in respect of food safety were strengthened considerably in a White Paper published in January 2000 ⁽¹⁾, while the subsequent course of action was laid down in a regulation adopted in January 2002 ⁽²⁾. Each year a series of measures are taken to implement the provisions of that regulation.

Moreover, Community legislation includes various measures designed to protect the health of animals which are reared in the Union or imported, and to guarantee the safety of food products made from them.

As a result of the significant fall in the number of cases of BSE, the Commission drew up a roadmap for amending and simplifying, in the short, medium and long term, the Community measures concerning this disease ⁽³⁾. The European Parliament and the Council meanwhile adopted, on 8 June, a regulation ⁽⁴⁾ extending until 1 July 2007 the application of transitional measures for the prevention and eradication of certain transmissible spongiform encephalopathies (BSE and diseases of a similar type which affect sheep and goats but do not present the same risks for humans).

Animal welfare

On 30 May, seeking to broaden the scope of specific legislation governing animal welfare, the Commission adopted a proposal for a directive laying down rules for the protection of chickens kept for meat production ⁽⁵⁾. The thrust of these provisions is that animal welfare problems could be minimised by means of enhanced monitoring on farms and by incorporating animal welfare indicators into post-mortem inspection. As with the rest of the abovementioned Community legislation, these are minimum rules which do not prevent the Member States from applying more stringent ones.

As a result of the Union's enlargement, steps have been taken to update the legislation governing aquaculture animals and products. Since the new Member States are introducing into the Community new species of fish, crustaceans and molluscs, the Commission has adopted proposals for a directive and a decision aimed at

⁽¹⁾ COM(1999) 719.

⁽²⁾ Regulation (EC) No 178/2002 (OJ L 31, 1.2.2002).

⁽³⁾ COM(2005) 322.

⁽⁴⁾ Regulation (EC) No 932/2005 (OJ L 163, 23.6.2005).

⁽⁵⁾ COM(2005) 221.

consolidating and updating the animal health rules applicable to trade in aquaculture products ⁽¹⁾.

Health and consumer protection

Consumer protection

Directive 2005/29/EC on unfair commercial practices was adopted on 11 May ⁽²⁾. The new legislation introduces a single regulatory model for advertising and identifies 'sharp practices', such as pressure selling, misleading marketing and unfair advertising, which will be prohibited throughout the European Union.

Further progress was achieved in 2005 with the application of the general product safety directive ⁽³⁾, notably operation of the rapid alert system RAPEX ⁽⁴⁾. The number of notifications of dangerous products presented by Member States' authorities increased from 388 in 2004 to more than 700 in 2005.

The Commission adopted a second amended proposal for a directive on consumer credit (not including mortgage credit) ⁽⁵⁾. It includes the right to receive information, a 14-day withdrawal possibility, and the right to repay credit early and to break a credit agreement if the purchase involved is cancelled.

On 6 April the Commission presented a strategy for health and consumer protection along with a new action programme for 2007–13, aimed at improving the quality of life of the European Union's citizens ⁽⁶⁾. These initiatives, bringing together public health and consumer protection policies within a single framework and fostering cooperation between the Member States' health systems, are designed to respect the following priorities: to ensure a high level of consumer protection throughout the Union, to increase the capacity of consumers to defend their interests, to improve information and knowledge in the interest of better consumer protection, to strengthen the capacity to react quickly and in a coordinated manner to health threats, and to promote health and prevent disease by taking health determinants into account in all policies and activities.

On 1 January the European consumer centres network (ECC-Net) was created through the merger of two previously existing networks. The network provides information to consumers on their rights and assists them with their complaints and the resolution of disputes.

⁽¹⁾ COM(2005) 362.

⁽²⁾ OJ L 149, 11.6.2005.

⁽³⁾ Directive 2001/95/EC (OJ L 11, 15.1.2002).

⁽⁴⁾ OJ L 151, 30.4.2004.

⁽⁵⁾ COM(2005) 483.

⁽⁶⁾ COM(2005) 115.

Transport safety and security

Air and maritime safety

Background

Both the quantity and quality of air traffic in Europe has been steadily rising over the years, and there is a need for a complete overhaul of the infrastructure at European level. In this context, with strong emphasis being placed on the improvement of air safety, the ambitious project of creating a 'single European sky' is being undertaken. The aim is to establish a regulatory framework for assimilating within a single European airspace the airspaces of the different Member States, particularly by developing control system capabilities. The improvement of air traffic flow, through better positioning of aircraft by means of Galileo (see 'Transport and energy' in Chapter II) and the new communication technologies, constitutes an integral part of the EU's transport policy laid down in the White Paper on European transport policy for 2001 (see 'Transport and energy' in Chapter II).

On 23 November the Commission adopted the third package of legislative measures for maritime safety ⁽¹⁾. Following on from earlier initiatives taken in response to major maritime accidents ('Erika-I' and 'Erika-II' packages along with measures stemming from the *Prestige* accident), this third package reflects a proactive approach. It is intended to supplement and improve the existing legislative arrangements, while also providing simplification. To this end, it takes account of the concerns expressed by the European Parliament, the European Council and transport ministers, especially after the *Prestige* accident.

The package is made up of seven legislative proposals in the following areas:

- proposal for a directive on the responsibilities of flag States;
- adjustment of rules regarding classification societies;
- review of legislation on port State control;
- amendment of the traffic monitoring directive;
- proposal for a directive on investigations following accidents;
- proposal for a regulation on responsibility and compensation to passengers in the event of a maritime accident;
- proposal for a directive on the civil liability of shipowners.

Overall, the seven proposals are designed to achieve in-depth reform of current practices in the maritime transport sector and to reduce the risk of accidents.

⁽¹⁾ COM(2005) 585, COM(2005) 586, COM(2005) 587, COM(2005) 588, COM(2005) 589, COM(2005) 590, COM(2005) 592 and COM(2005) 593.

On 15 November, in the wake of the aviation accidents which occurred in the first half of the year, and in the context of negotiations on the regulation concerning the identity of the operating carrier, the Commission adopted a proposal for amending the regulation on common rules in the field of civil aviation and establishing a European Aviation Safety Agency (EASA) ⁽¹⁾. It proposes extending the scope of the 2002 regulation ⁽²⁾ and including among the tasks of the Agency air operations and pilot licensing.

Air and maritime security

In 2005, following the adoption on 10 June of a regulation laying down procedures for conducting inspections in the field of maritime security ⁽³⁾, the Commission commenced inspections in the Member States to monitor the application of the regulation on enhancing ship and port facility security ⁽⁴⁾. Additionally, the European Parliament and the Council adopted a directive on enhancing port security on 26 October ⁽⁵⁾.

In the aviation sector, the Commission developed the instruments for implementing the regulation establishing common rules in the field of civil aviation security ⁽⁶⁾ and continued its inspections in the Member States. On 22 September it adopted a report ⁽⁷⁾ on the implementation of that regulation and proposed that it be amended with a view to clarifying and simplifying the existing legislation and achieving better harmonisation of procedures.

Energy safety and security of installations

Background

International cooperation is a crucial element of European policy in the field of energy safety and security. In order to safeguard the well-being of Europe's citizens, it is essential that steps be taken to prevent not only supply problems but also accidents, since operational problems in this sector impact on the daily life of individuals, and safety incidents can have dramatic repercussions.

Euratom acceded (with effect from 2 January 2006) to the Joint Convention on the Safety of Spent Fuel Management and on the Safety of Radioactive Waste Management ⁽⁸⁾. The objectives of this convention are: to achieve and maintain a high

⁽¹⁾ COM(2005) 579.

⁽²⁾ Regulation (EC) No 1592/2002 (OJ L 240, 7.9.2002).

⁽³⁾ Regulation (EC) No 884/2005 (OJ L 148, 11.6.2005).

⁽⁴⁾ Regulation (EC) No 725/2004 (OJ L 129, 29.4.2004).

⁽⁵⁾ Directive 2005/65/EC (OJ L 310, 25.11.2005).

⁽⁶⁾ Regulation (EC) No 2320/2002 (OJ L 355, 30.12.2002).

⁽⁷⁾ COM(2005) 428 and COM(2005) 429.

⁽⁸⁾ OJ L 30, 3.2.2005.

standard of nuclear safety throughout the world by strengthening national measures and through international cooperation; to establish and maintain, at all stages of the management of spent fuel and radioactive waste, effective defences against the potential dangers so as to protect individuals, society and the environment against the harmful effects of ionising radiation.

The Commission meanwhile adopted, on 21 December, a proposal for a directive on the supervision and control of shipments of radioactive waste and nuclear spent fuel ⁽¹⁾. This proposal is intended to ensure consistency both with the Euratom directives governing the control of high-activity sealed radioactive sources and orphan sources and with international conventions.

Furthermore, steps were taken to complete the interinstitutional process for Euratom's accession to two conventions, one on Early Notification of a Nuclear Accident and the other on Assistance in the case of a Nuclear Accident or Radiological Emergency ⁽²⁾, providing for speedier exchange of information between States which may be physically affected by a nuclear accident. On the basis of these conventions, there is a framework for cooperation between the States party to the conventions and the International Atomic Energy Agency (IAEA) in order to facilitate the creation of rapid assistance mechanisms designed to attenuate the consequences of a radiological emergency.

Protection of the European Union's financial interests

Background

In accordance with Regulation (EC) No 1338/2001 ⁽³⁾, the European Technical and Scientific Centre (ETSC) is responsible for technical analysis and classification of counterfeit euro coins. In December 2003 the Council decided that the Commission should ensure the functioning of the ETSC and the coordination of the activities of the competent technical authorities seeking to protect euro coins against counterfeiting. In October 2004 the Commission decided to establish formally the ETSC in the European Anti-Fraud Office (OLAF).

The Commission is also responsible for implementing the Pericles programme of training and technical assistance for the protection of euro banknotes and coins against counterfeiting. Additionally, it prepares legislative initiatives and monitors the application of the relevant legislation.

In the exercise of its responsibilities regarding protection of the euro against counterfeiting, the Commission (OLAF) collaborates closely with the European Central Bank (ECB), Europol, Interpol and the competent national authorities.

⁽¹⁾ COM(2005) 673.

⁽²⁾ COM(2004) 560.

⁽³⁾ OJ L 181, 4.7.2001.

On 20 October the Commission adopted its report ⁽¹⁾ on the Member States' application of the 'Black list' regulation ⁽²⁾, entailing identification of economic operators presenting a risk to the Community budget under the EAGGF Guarantee Section, notification of the Commission and the Member States, and appropriate preventive action. The Commission pointed out that the result of applying this regulation was modest, in that it had received only a limited number of notifications. Having examined the legal and practical reasons for the Member States' reluctance to act, the Commission hoped that this report would give rise to wide-ranging discussions with the other institutions, making it possible to draw conclusions on the next steps to be taken. It spelled out the various options available to the Member States, including strict application of the current mechanism, after suitable adjustment, or extension of its scope to different expenditure areas of the Community budget and own resources.

With the Pericles programme scheduled to come to an end in 2005, the Commission proposed that it be extended until 31 December 2011 ⁽³⁾.

Disasters

Background

The European Union's Solidarity Fund was set up in 2002 in response to the flooding and the serious damage it caused in several European countries in the summer of that year ⁽⁴⁾. It is an instrument which enables the Union, by granting financial assistance in the event of natural disasters, to express its solidarity with the Member States and candidate countries negotiating to join the European Union.

In 2005 the Commission examined 12 applications for mobilisation of the fund. Five of them, relating to the serious damage caused by storms in Estonia, Latvia, Lithuania, Slovakia and Sweden, were accepted by the Commission and, on a proposal from the Commission, financial assistance amounting to EUR 98.5 million was released by the European Parliament and the Council. An application submitted by Italy in connection with flooding in Sardinia was rejected on the grounds that it did not meet the criteria allowing mobilisation of the fund. Decisions on five other cases, relating to flooding in Austria, Bulgaria and Romania, are still under consideration.

On 6 April the Commission adopted a proposal for a regulation establishing a new Solidarity Fund ⁽⁵⁾, whose scope would be extended to include industrial disasters, public health crises and acts of terrorism, with eligible operations also being enhanced.

⁽¹⁾ COM(2005) 520.

⁽²⁾ Regulation (EC) No 1469/95 (OJ L 145, 29.6.1995).

⁽³⁾ COM(2005) 127.

⁽⁴⁾ Regulation (EC) No 2012/2002 (OJ L 311, 14.11.2002).

⁽⁵⁾ COM(2005) 108.

Having regard to civil protection in disaster situations, the Commission proposed, in April, a regulation establishing a rapid response and preparedness instrument for major emergencies ⁽¹⁾. Drawing mainly on the experience gained in the aftermath of the Asian tsunami of December 2004, the purpose of the proposal is to strengthen the European Union's rapid response capability for the protection of people, the environment and property. The Commission recommends that future financing of the Union's civil protection activities should be increased significantly. With a view to implementing this financial mechanism, the Commission also adopted, two weeks later, two communications: the first one, 'Reinforcing EU disaster and crisis response' ⁽²⁾, sets out the general framework for the Community action plan; the second one, 'Improving the Community civil protection mechanism' ⁽³⁾, gives details of the way in which the Commission intends to strengthen and improve the Union's civil protection responses. This is an initiative which seeks to boost both the Community civil protection mechanism and the European response to crises in third countries.

Assisted by the Joint Research Centre, the Commission supported the Member States' efforts to control forest fires by forecasting risks via the European forest fire information system (EFFIS).

General references and other useful links

- Directorate-General for Health and Consumer Protection:
http://europa.eu.int/comm/dgs/health_consumer/index_en.htm
- Directorate-General for Environment:
http://europa.eu.int/comm/environment/index_en.htm
- Directorate-General for Research:
http://europa.eu.int/comm/research/index_en.cfm
- European Parliament — Health and the environment:
http://www.europarl.eu.int/news/public/documents_par_theme/911/default_en.htm
- Consumers:
http://europa.eu.int/comm/consumers/index_en.htm
- Food safety:
http://europa.eu.int/comm/food/index_en.htm
- Public health:
http://europa.eu.int/comm/health/index_en.htm
- Transport:
http://europa.eu.int/comm/transport/index_en.html
- European Maritime Safety Agency:
<http://www.emsa.eu.int/>
- Energy:
http://europa.eu.int/comm/energy/index_en.html

⁽¹⁾ COM(2005) 113.

⁽²⁾ COM(2005) 153.

⁽³⁾ COM(2005) 137.

- International Atomic Energy Agency:
<http://www.iaea.org/>
- European Anti-Fraud Office:
http://europa.eu.int/comm/anti_fraud/index_en.html

Europe as a global partner

Section 1

Presence of the European Union in the global economy

Continuation of the enlargement process

Bulgaria and Romania

Background

In 1995, at the same time as other candidates from central and eastern Europe, Bulgaria and Romania submitted their applications for accession to the European Union. The Commission delivered its opinions on these applications in 1997. Over the following years it re-evaluated the situation in order to draw up an assessment prior to the start of the negotiations in February 2000. On the basis of its annual reports, the Commission provided its current and future Member States and European citizens with an in-depth analysis of progress made or to be made by each of the candidate countries. The reports adopted in October 2004 concluded that Bulgaria and Romania complied with the political accession criteria and that they still had to comply with the economic and legal criteria in order to be ready for accession on 1 January 2007. The European Council held in Brussels on 17 December 2004 approved the accession negotiations.

The year 2005 began with the adoption by the Commission, on 22 February, of favourable opinions on the accession of Bulgaria and Romania (¹). However, the Commission reminded the two countries that they needed to vigorously pursue their efforts on the political criteria for accession and on the adoption, implementation and application of the Community *acquis*. This first stage was followed by the assent of the European Parliament on 13 April and lastly, and most importantly, by the signing

(¹) COM(2005) 55.

of the Accession Treaty, together with the decisions regarding acceptance of the applications for admission of Bulgaria and Romania, by the Council on 25 April ⁽¹⁾.

Six months later, on 25 October, the Commission adopted its comprehensive monitoring report on the state of preparedness for EU membership of Bulgaria and Romania ⁽²⁾. It observed that the two countries had made good progress and should be able to comply with the conditions for accession. However, although they fully met the criteria of a functioning market economy, more efforts were needed, in particular to strengthen the rule of law by improving the public service and the judiciary and by combating corruption effectively. There were still a few specific shortcomings in the preparedness of the two countries which were causing serious concern. Unless they took immediate action, Bulgaria and Romania would most probably not be in a position to fulfil their obligations in these specific areas by 1 January 2007. Timely accession was therefore in the hands of Bulgaria and Romania. Even more so than in previous years, they must consequently take firm and decisive measures to address these problems.

Western Balkans

Background

On 20 April 2004 the Commission recommended the opening of accession negotiations with Croatia, which had presented its application on 21 February 2003. On the basis of this recommendation, formulated in the light of the political and economic criteria set by the Copenhagen European Council in 1993, the European Council of June 2004 decided to convene an EU–Croatia Intergovernmental Conference in 2005 in order to launch accession negotiations. For its part, the Former Yugoslav Republic of Macedonia submitted an application for membership on 22 March 2004.

In 2005 the EU's relations with the countries of the western Balkans progressed significantly, reflecting the progress made by these countries in implementing their reforms.

In March the Council postponed the start of accession negotiations with Croatia, which had been decided in 2004, due to the failure of the country to fully cooperate with the International Criminal Tribunal for the former Yugoslavia (ICTY). Following a favourable report from the ICTY Chief Prosecutor, the Council decided on 3 October that the last condition for the opening of the negotiations had been met; the negotiations were launched that very day. The screening of the *acquis* was launched in October and should continue in 2006. On 9 November the Commission adopted a

⁽¹⁾ OJ L 157, 21.6.2005.

⁽²⁾ COM(2005) 534.

report on progress made by Croatia towards accession ⁽¹⁾ and proposed an accession partnership ⁽²⁾.

On 12 April the Commission recommended that the Council open negotiations on a stabilisation and association agreement between the EU and Serbia and Montenegro, given the significant progress made by the country in implementing the criteria of the stabilisation and association process, including in the field of cooperation with the ICTY ⁽³⁾. It noted in particular the numerous reforms aimed at establishing a functioning market economy. However, it also underlined the priority areas for reform over the coming months: constitutional issues, including the issue of the division of competences between the State Union and the two constituent republics; strengthening of the parliaments, the executives and the administrative bodies linked to European integration; the situation of displaced persons inside the country and of refugees; judicial, economic and public service reform.

As regards the special case of Kosovo, on 20 April the Commission recalled its commitment to work for the stability and reconstruction of the province, while stressing the fact that at a time when the whole region is moving towards Europe, Kosovo must not be left behind ⁽⁴⁾. In the context of the implementation of UN Security Council Resolution 1244 (1999), the Commission outlined its future contribution to the efforts of the international community for Kosovo. It considered that to achieve medium- and long-term stability, the province must develop economically. This is why the Commission indicated that it would provide political advice, technical assistance and financial support in order in particular for Kosovo to further integrate into the regional economy of the Balkans. Similarly, the Commission expressed support for the negotiations on the future status of Kosovo and, in cooperation with the CFSP High Representative, it intends to play a greater role in the preparation of the future European presence.

On 21 October the Commission gave its opinion on progress made by Bosnia and Herzegovina and recommended the opening of negotiations for a stabilisation and association agreement (SAA) ⁽⁵⁾. At the same time it submitted draft negotiating directives. Following this recommendation and the adoption by the Council of the negotiating directives on 21 November, negotiations were opened on 25 November in Sarajevo.

Negotiations for the conclusion of a stabilisation and association agreement with Albania continued throughout the year. On 9 November the Commission, in its annual progress report, concluded that Albania had made sufficient overall progress in the

⁽¹⁾ COM(2005) 561.

⁽²⁾ COM(2005) 556.

⁽³⁾ COM(2005) 476.

⁽⁴⁾ COM(2005) 156.

⁽⁵⁾ COM(2005) 529.

reform areas essential for implementation of its future SAA, and that this paved the way for the conclusion of negotiations ⁽¹⁾.

On the same day the Commission also adopted an opinion on the Former Yugoslav Republic of Macedonia's application for membership ⁽²⁾. Following this opinion, and considering in particular progress made in implementing the Ohrid framework agreement and the stabilisation and association agreement, the December European Council decided to grant candidate status to the country. Future stages will only be envisaged once a more comprehensive debate on enlargement strategy has been held in 2006 and on the basis of progress made in achieving the Copenhagen criteria, implementing the stabilisation and association agreement and the related process requirements, and implementing the priorities of the European partnership with the country.

In its strategy paper adopted on 9 November, the Commission took stock of progress made by the countries of the western Balkans, in particular as regards the criteria of the stabilisation and association programme ⁽¹⁾. It also outlined a roadmap formalising their accession prospects and clarifying the stages of the process.

Turkey

Following the Commission's recommendation ⁽³⁾ and the conclusions of the European Council of December 2004, Turkey complied with the conditions for the opening of accession negotiations by adopting the six important pieces of legislation requested by the EU, and by signing an additional protocol to the Ankara Agreement extending the scope of application of the agreement to all Member States, in particular to those which joined the EU in May 2004. Since the Council recognised that Turkey had met the outstanding conditions for the opening of negotiations, accession negotiations were launched on 3 October after the adoption by the Council of a negotiating framework. The screening of the *acquis* was launched in October and should continue in 2006. The Commission also continued its regular review of progress made by Turkey towards accession by adopting its annual report on 9 November ⁽¹⁾, and proposed a revised accession partnership ⁽⁴⁾.

⁽¹⁾ COM(2005) 561.

⁽²⁾ COM(2005) 562.

⁽³⁾ COM(2004) 656.

⁽⁴⁾ COM(2005) 559.

Neighbourhood policy

Overall approach

Background

The aim of the European neighbourhood policy (ENP), which was launched in 2003 ⁽¹⁾, is to enable the EU's neighbouring countries to benefit from the stability, security and prosperity of the EU under conditions which differ from those of accession. It aims to avoid creating new divisions in Europe by offering these countries enhanced political, security, economic and cultural cooperation. Such cooperation is based on the common values of democracy, the rule of law, good governance, and respect for human rights (including freedom of the media), and on common interests such as sustainable development. The implementation of the ENP is aimed at far-reaching economic and political reform, supported financially and technically by the Union, opening up the markets, and access to Community programmes, if appropriate. The driving force behind the implementation are the action plans which the Union draws up with each of the countries concerned.

A first wave of action plans was finalised by the Council this year, concerning respectively Israel, Jordan, Morocco, the Palestinian Authority and Tunisia under the Euro-Mediterranean agreements ⁽²⁾, and Moldova and Ukraine, whose plans were signed at the respective Cooperation Councils in February.

On 2 March the Commission, basing itself on the national reports on Armenia, Azerbaijan, Egypt, Georgia, and Lebanon ⁽³⁾, recommended intensifying relations with these countries and called on the Council to come to a decision on the drawing-up of action plans under the ENP with the three countries of the South Caucasus. These countries therefore join Egypt and Lebanon on the path of a deepening of political cooperation and economic integration in their relations with the Union. In its conclusions of 25 April on the ENP, the Council largely endorsed the Commission's position on this issue.

A national report on Algeria is being prepared. Also, the path is clear for closer ties with Belarus under the ENP.

⁽¹⁾ COM(2003) 104.

⁽²⁾ COM(2004) 790, COM(2004) 796, COM(2004) 788, COM(2004) 789 and COM(2004) 792.

⁽³⁾ COM(2005) 72.

Cooperation with the countries of the Mediterranean

Background

The Barcelona process

For a decade, the Euro-Mediterranean Partnership has developed on the basis of the declaration and the work programme adopted at the end of the Barcelona Ministerial Conference, attended by the then 15 EU Member States and the 12 Mediterranean partners (Algeria, Cyprus, Egypt, Israel, Jordan, Lebanon, Malta, Morocco, the Palestinian Authority, Syria, Tunisia and Turkey).

This comprehensive partnership has three main components:

- *a political and security component, aimed at establishing a common area of peace and stability;*
- *an economic and financial component, aimed at creating an area of shared prosperity;*
- *a social, cultural and human component, aimed at developing human resources and promoting understanding between cultures and exchanges between civil societies on both sides of the Mediterranean basin.*

The main financial instrument for implementing this partnership is the MEDA programme, with grants from the Community budget supplemented by substantial loans from the European Investment Bank. MEDA support since 1995 amounts to EUR 10 billion.

The Barcelona process is supplemented by the European neighbourhood policy (see above), which launches political and economic reform programmes, the scope and speed of which are at the partner countries' discretion.

Following the launch of the process in Barcelona, seven other Euro-Mediterranean Conferences of Foreign Affairs Ministers have been held at various intervals, the most recent in Luxembourg on 30 and 31 May 2005. The year 2005, declared Year of the Mediterranean and coinciding with the 10th anniversary of the launch of the Barcelona process, was a symbolically charged opportunity to give fresh impetus to the Euro-Mediterranean Partnership. The culmination of the activities organised in this area was the extraordinary high-level meeting held in Barcelona on 27 and 28 November. The summit was prepared, inter alia, by guidelines presented by the Commission on 12 April ⁽¹⁾ and by the Euro-Mediterranean Conference of Foreign Affairs Ministers on 30 and 31 May. It ended with the adoption of a number of initiatives:

- the establishment of a general work programme for the next five years in the following areas: a political and security partnership; sustainable economic growth and reform; education and socio-cultural exchanges; migration, social integration, justice and security;
- a code of conduct on the fight against terrorism;

⁽¹⁾ COM(2005) 139.

- a global response to the problem of migration, which seeks to balance the fight against illegal immigration and support to development in African countries;
- the reaffirmation of the objective of creating a free-trade area by 2010. To this end, agreement was reached to draw up a roadmap including the gradual liberalisation of trade in the areas of agriculture, fisheries, services and the right of establishment. There are also plans to conclude free-trade agreements between the Mediterranean countries, insert the Pan-Mediterranean Protocol in the cumulation of origin to promote intra- and inter-regional integration, and harmonise the laws of the Euro-Mediterranean partners as regards standards, technical regulations and conformity assessment.

On 21 November the Council adopted a negotiating mandate enabling the Commission to open negotiations with the Euro-Mediterranean partners on investment and trade in the area of services.

The December European Council welcomed the results of the Barcelona summit.

The year 2005 also witnessed the holding of the first plenary session of the Euro-Mediterranean Parliamentary Assembly in Cairo, which reflects the partners' commitment to democratic values and to the principle of joint ownership intrinsic to the Barcelona process.

Within the framework of bilateral cooperation with the Mediterranean countries, a Euro-Mediterranean association agreement with Algeria was signed in July and entered into force on 1 September ⁽¹⁾. The agreement, which introduces relations based on reciprocity, partnership and the respect for democratic principles and human rights, provides in particular, like other agreements concluded earlier with countries in the region, for a regular political dialogue, the gradual establishment of a free-trade area, the enhancement of economic cooperation, and financial cooperation. One of its most innovative components introduces cooperation on justice and home affairs, covering in particular the sensitive areas of immigration and the fight against terrorism.

Other aspects of the Union's policy with certain countries of the Mediterranean and the Middle East are discussed below (see 'Contribution to security in the world' in this chapter of the Report).

⁽¹⁾ OJ L 265, 10.10.2005.

International trade

Background

International trade is essential to promote competitiveness and growth. The European Union, as a member of the World Trade Organisation (WTO), is fully committed to the WTO Doha Development Agenda (DDA) drawn up in November 2001 and pursues an innovative trade policy based on effective multilateralism.

The aim of the DDA is to enhance the multilateral trade system by, in particular, continuously strengthening international trade rules and better integrating developing countries into the world economy. This aim coincides with the priorities of the Union which, ever since the introduction of its common trade policy, has gradually opened its market to developing countries: as an indication, the Union currently absorbs 70 % of farm exports from developing countries, against 17 % for the United States.

Hong Kong summit

The sixth WTO Ministerial Conference was held in Hong Kong from 13 to 18 December.

As expected, the WTO members were unable to agree on a final document to conclude the negotiations. However, useful progress was made, in particular in trade facilitation and regulation. As regards the most sensitive areas of trade in agricultural and non-agricultural products, the WTO members set 1 April 2006 as the deadline for reaching an agreement on the full arrangements for greater liberalisation. The WTO members agreed to set 2013 as the deadline for eliminating export support measures. Clear provisions on the disciplinary measures to apply to export credits, state trading enterprises and food aid must be put in place by 30 April 2006. Regarding trade in services, the WTO members agreed to present revised proposals by 31 July 2006 and to launch multilateral negotiations in specific sectors by 28 February 2008.

Moreover, and thanks mainly to the impetus given by the European Union, the WTO members agreed on a trade and development package aimed in particular at meeting the needs of developing countries and especially the least developed countries (LDCs). More specifically, the developed countries (and those developing countries which are able to) decided to grant quota and tariff free market access for at least 97 % of products from all LDCs by 2008 (or at the latest at the beginning of the implementation period), in order to ensure stability, security and predictability.

Dispute settlement

In 2005 the European Union was involved in 27 trade disputes (15 as a complainant and 12 as a defendant), half of which were against the United States (nine in which the Union was a complainant and five in which it was a defendant).

The most dramatic was the Airbus/Boeing dispute: following the US request for the setting-up of a panel on alleged subsidies to Airbus, on 31 May the European Union also requested the setting-up of a panel to examine subsidies to Boeing.

Implementing the WTO rules was one of the Union's priorities, with the imposition of retaliatory measures against the United States on 1 May in the context of the Byrd Amendment dispute and the condemnation of the incorrect application by the United States of the WTO rules in the context of the FSC-ETI ⁽¹⁾ and the privatisation disputes.

As a defendant, the European Union saw its sugar regime condemned on 19 May. The Commission reacted by adopting a proposal for reforming the sugar regime ⁽²⁾, on which the Council reached a political agreement on 24 November ⁽³⁾.

It was also in 2005 that the first panel hearing was opened to the public following agreement of the parties. That particular hearing concerned an appeal against the maintenance of sanctions against the European Union by Canada and the United States in disputes relating to hormones.

Trade policy instruments

Since the beginning of the year and by 31 October, 64 investigations had been launched, relating to anti-dumping, subsidies and safeguard measures, making a total of 89 ongoing investigations. By the same date, 130 anti-dumping measures and 14 countervailing measures as well as several commitments from 16 countries were in force. As regards anti-dumping, 15 provisional measures and 12 definitive measures were imposed. Several investigations and review procedures were closed without measures being imposed.

Textiles

The abolition of quotas on textile products became effective on 1 January 2005. China has only been a member of the WTO since December 2001, but it has had a significant influence on trade in this sector. The arrival of large amounts of Chinese textile products on the European markets led the European Union to regulate imports of such products until the end of 2007 by means of a bilateral agreement ⁽⁴⁾. The basis for this agreement is the special safeguard clause in China's WTO Accession Protocol.

All textile quotas for Vietnam were suspended on 1 April, but with retroactive effect to 1 January due to the implementation of the Agreement on Textiles and Market Access concluded with Vietnam.

⁽¹⁾ Regulation (EC) No 673/2005 (additional customs duties on imports of certain products originating in the United States of America) (OJ L 110, 30.4.2005).

⁽²⁾ COM(2005) 263.

⁽³⁾ See 'Agriculture' in Chapter III of this Report.

⁽⁴⁾ SEC(2005) 830.

A Textile Agreement with Serbia was signed on 31 March and entered into force on 1 July. It suspends the quotas in return for swift tariff dismantling by Serbia.

Following negotiations with Belarus on trade in textile products, on 29 November the Commission adopted a draft decision on the signing and provisional application of the agreement from 1 January 2006, which was adopted by the Council on 20 December ⁽¹⁾.

Steel industry

New bilateral agreements on steel products were concluded and entered into force on 19 July with Kazakhstan, 29 July with Ukraine and 3 November with Russia.

Community Customs Code

On 13 April, with a view to improving security at external borders without hindering trade, the European Parliament and the Council modernised the Community Customs Code ⁽²⁾. The CCC now provides for the electronic exchange of information between the customs offices on movements of goods; it requires traders to provide customs authorities with information on goods prior to their import into or export from the European Union via electronic summary declarations; it also introduces a Community-wide computerised system for risk management. At the same time it aims to speed up border processing for legitimate traders. The new mechanism is a Union response to the global concern about protecting the international supply chain from terrorism.

Statistics

On 12 January the European Parliament and the Council adopted a regulation on Community statistics concerning balance of payments, international trade in services and foreign direct investment ⁽³⁾.

General references and other useful links

- Directorate-General for Enlargement:
http://europa.eu.int/comm/enlargement/index_en.html
- International Criminal Tribunal for the former Yugoslavia:
<http://www.un.org/icty/index.html>
- European neighbourhood policy (ENP):
http://europa.eu.int/comm/world/enp/index_en.htm
- Countries of the south Mediterranean and of the Middle East:
http://europa.eu.int/comm/external_relations/med_mideast/intro/index.htm
- Barcelona process:
http://europa.eu.int/comm/external_relations/euromed/bd.htm
- Directorate-General for Trade:
http://europa.eu.int/comm/trade/index_en.htm

⁽¹⁾ Decision 2005/948/EC (OJ L 345, 28.12.2005).

⁽²⁾ Regulation (EC) No 648/2005 (OJ L 117, 4.5.2005).

⁽³⁾ Regulation (EC) No 184/2005 (OJ L 35, 8.2.2005).

- World Trade Organisation:
<http://www.wto.org/index.htm>
- Doha Development Agenda:
http://europa.eu.int/comm/trade/issues/newround/doha_da/index_en.htm
http://www.wto.org/english/tratop_e/dda_e/dda_e.htm

Section 2

Contribution to international solidarity

Background

The European Union has right from the start been committed to a proactive policy of solidarity with developing countries, and today this commitment is clearly directed at a better harnessing of globalisation. In 2005 it continued to focus on two features which underpin its contribution to this objective: strengthening multilateralism, in particular around the United Nations and its commitment to pursuing the millennium development goals drawn up in 2000 and, building on its own experience, promoting regional integration in the countries concerned.

In this context, the Union was particularly sensitive to the situation in Africa, the future of which is clearly increasingly becoming one of its priorities. These long-term concerns are part of a new development policy offering more coherence between the various Union institutions and bodies, and are also supplemented, in the case of serious humanitarian crises, by emergency interventions in order to provide an effective response: an obvious example of this is the assistance provided to the countries of Asia and the Indian Ocean which were hit by the tsunami in December 2004.

Protection and promotion of common values beyond the frontiers of the European Union

Human rights

In 2005, alongside progress made in the promotion of human rights within the European Union, a flagship initiative of which is the proposal to create a Fundamental Rights Agency ⁽¹⁾, the Union continued to implement an external dimension aimed at ensuring that these rights are complied with in third countries. This approach also covered the countries applying for Union membership, as demonstrated by the voicing

⁽¹⁾ See 'Protecting fundamental rights and combating discrimination' in Chapter III of this Report.

of various views on this issue on the eve of the launch of accession negotiations with Turkey.

Promoting values such as human rights, the rule of law and democracy was generally a theme close to the heart of all the Union institutions.

The European Parliament continued to show the interest and vigilance it has always shown in this area by adopting numerous resolutions denouncing, on a case-by-case basis, the attitude of countries where violations of fundamental rights were particularly worrying (Belarus, Cambodia, Ethiopia, Laos, Myanmar, Tibet, Togo, Tunisia, Vietnam, etc.). It also gave its opinion on issues common to several countries, for example by condemning child labour, which is still tolerated in a number of developing countries. Parliament was also concerned by allegations of the use of European countries by the United States' Central Intelligence Agency (CIA) for the transport and unlawful detention of prisoners.

For its part, with a view to the reform of the United Nations system, the June European Council demonstrated the Union's firm support for the strengthening of existing bodies in the area of fundamental rights and for the plan to create a Human Rights Council within this system. Similarly, negotiations were launched with a view to concluding a cooperation and assistance agreement between the European Union and the International Criminal Court, which is responsible for prosecuting crimes against humanity. To combat torture, the Union resorted to more targeted action in the form of commercial leverage to introduce a specific regime to regulate the export of certain types of equipment and products which could be used to this end ⁽¹⁾. On 12 December the Council adopted guidelines on respect for international humanitarian law.

The Commission, for its part, while contributing to the preparation or the implementation of various initiatives mentioned above, continued to play an active part in the financing of measures to promote democracy and human rights, in particular in the context of election observation missions in a number of third countries, such as Afghanistan, Burundi, Guinea-Bissau, Haiti, Sri Lanka or Venezuela.

Sustainable development and stable growth

The Union's commitment to sustainable development and stable growth is another facet of its identity which also permeated the external dimension of a number of its activities in 2005.

⁽¹⁾ Council Regulation (EC) No 1236/2005 (OJ L 200, 30.7.2005).

Background

Sustainable development objectives: the external dimension

The external component of the European Union's sustainable development strategy launched in 2001 was drawn up in the communication from the Commission, 'Towards a global partnership for sustainable development' (1), endorsed by the Barcelona European Council in 2002. This initiative came in response to a request by the Gothenburg European Council in June 2001, which endorsed the Union's internal strategy for sustainable development, for the external dimension to be further developed.

The communication set out a comprehensive and integrated set of actions aimed at contributing to the external dimension of global sustainable development by means of six objectives:

- *harnessing globalisation by putting trade at the service of sustainable development;*
- *fighting poverty and promoting social development;*
- *ensuring sustainable management of natural and environmental resources;*
- *improving the coherence of European Union policies;*
- *improving governance at all levels;*
- *financing sustainable development.*

At the World Summit on Sustainable Development held in Johannesburg in September 2002, the main targets identified by the international community were as follows:

- *to reduce the number of people without access to safe drinking water and basic sanitary facilities;*
- *to increase access to energy services, energy efficiency and the use of renewable energy;*
- *to reverse the current trend in natural resource degradation;*
- *to reduce the current rate of biodiversity loss;*
- *to reduce the harmful effects of chemicals;*
- *to promote sustainable consumption and production patterns;*
- *to support the implementation of national sustainable development strategies.*

The Union has drawn up initiatives on water, energy and forests. The 'Water for life initiative' and the 'Energy initiative for poverty eradication and sustainable development' were launched at the Johannesburg summit. A third initiative on forests seeks to combat illegal logging and associated trade. Under the water initiative, the Union has established a water fund for the countries of Africa, the Caribbean and Asia.

Moreover, in order to meet the objectives of sustainable development with regard to trade and globalisation, the Union has undertaken to effectively integrate developing countries into the world trading system ('Doha Agenda'). It has also undertaken to take account of the environment and sustainable development in trade negotiations with third countries. Also,

(1) COM(2002) 82.

steps have been taken to improve and promote corporate social responsibility at Community and international level. Sustainability impact assessments were placed at the core of the Union's efforts to integrate sustainability considerations into its trade policy.

The Union, by means of its commitment to stronger international governance and with a view to fulfilling the commitments entered into in Johannesburg, actively supports the activities of the UN Commission on Sustainable Development, which is regarded as the main international forum for monitoring the implementation of the Johannesburg objectives.

Complementarity between the internal and external aspects of European political action as regards sustainable development has today become a necessity. This was highlighted by the Commission when it presented, on 9 February, its initial review of the European Union's strategy for sustainable development ⁽¹⁾. Such complementarity requires an ever more integrated approach and reflects the fact that, with globalisation and increasing interdependence between issues, the EU can only deliver fully on its key internal priorities if it succeeds at the same time on the world scene.

The aim of actively promoting sustainable development throughout the world and of ensuring that the Union's internal and external policies are compatible with global sustainable development was highlighted in the declaration on guiding principles for sustainable development approved by the European Council in June.

In its communication of 13 December on the review of the sustainable development strategy, accompanied by a platform for action ⁽²⁾, the Commission proposed that the external dimension of sustainable development be factored into internal policy-making and that the impact of European policy choices on global sustainable development be more consistently assessed. It also hopes the Union will use its influence to bring more nations behind an ambitious sustainable development agenda and that it will use its own instruments, such as trade and cooperation agreements, to drive change, including at multilateral level.

In the more specific field of the sustainable development of tropical forests, the Union took part in 2005 in the launch of negotiations, under the auspices of the UN Conference for Trade and Development, aimed at renewing the International Tropical Timber Agreement signed in 1994. In a resolution of 7 July, the European Parliament encouraged the speedier implementation, especially at legislative level, of the Community's FLEGT action plan adopted in 2003 to combat illegal logging and illegal imports of tropical timber.

The Union also continued its efforts to promote the implementation of the Convention on Biological Diversity in order to meet the 2010 objective (substantial reduction in

⁽¹⁾ COM(2005) 37.

⁽²⁾ COM(2005) 658. See also 'Solidarity with future generations and sustainable development' in Chapter III of this Report.

biological diversity loss by 2010) adopted at the Johannesburg World Summit on Sustainable Development. For instance, the Union actively contributed to the second meeting of the parties to the Cartagena Protocol on Biosafety, which was held in Montreal from 30 May to 3 June. The conference adopted important decisions which strengthen the implementation of the Cartagena Protocol.

Development policy

General approach

In 2005, scheduled commitments gave particular emphasis to progress made in achieving the millennium development goals within the framework of the September UN World Summit (see below), and to defining a new development policy framework at European level.

The trigger for this was a wide public consultation carried out on the basis of a discussion paper drawn up by the Commission departments and followed in July by a Commission proposal for the drawing-up of a joint declaration of the European Parliament, the Council and the Commission to replace the declaration adopted in November 2000 by the latter two institutions ⁽¹⁾. Extended to the Parliament, the new declaration, called the European consensus on development, sets out for the first time in 50 years of development cooperation a framework of common objectives, values and principles within which the Union and its 25 Member States will each have to implement their development policy in a spirit of complementarity. The value of such a formal and tripartite approach is to contribute decisively to the objectives of coherence and effectiveness in the area of Union external action. The European Parliament endorsed this approach in resolutions of 17 November and 15 December.

It is also important to underline the contribution to the development policy review process of the 10 Member States which joined the European Union on 1 May 2004.

Millennium development goals (MDGs)

Background

At the United Nations General Assembly in September 2000, the 191 members adopted the Millennium Declaration committing them to a global project aimed at substantially reducing extreme poverty in all its forms by 2015. The eight millennium development goals (MDGs) set out in the declaration, which have become the focus of international development cooperation, aim to:

- *eradicate extreme poverty and hunger;*
- *achieve universal primary education;*

⁽¹⁾ COM(2005) 311.

- *promote gender equality and empower women;*
- *reduce mortality in children under five years old;*
- *improve maternal health;*
- *combat HIV/AIDS, malaria and other poverty related diseases;*
- *ensure environmental sustainability;*
- *build a global partnership for development between industrialised and developing countries.*

Five years after the September 2000 summit, at which the Millennium Declaration was adopted and a series of development goals were drawn up, another World Summit attended by the Heads of State or Government of the UN member States was held in New York from 14 to 16 September. The aim of the summit was to take stock of progress in achieving the MDGs and to consider what reforms were needed to enable the UN to respond to new challenges in the areas of security, development, human rights and democracy. Although the hopes and expectations with regard to the results of the meeting were only partly fulfilled, the European Union was actively involved in the preparation and the running of the summit as a leading world partner.

On 12 April the Commission presented a package of three communications to speed up progress towards the MDGs:

- the first communication takes stock of the Union's contribution towards development, which is considered as substantial, and identifies new measures to further enhance its action ⁽¹⁾;
- the second communication sets out the state of progress of the commitments entered into by the Union at the 2002 Monterrey Conference on Financing for Development; it also presents proposals for new concrete commitments and outlines a way towards a possible new interim target for increased official development assistance in the Union by 2010 ⁽²⁾;
- the third communication highlights the importance of effectively improving the coherence of development policies in order to attain the MDGs; it identifies 11 priority areas, where the challenge of attaining synergies with development policy objectives is considered particularly relevant. These areas include trade, the environment, security, agriculture and fisheries ⁽³⁾.

On 15 June the Commission also presented a communication on all the issues discussed at the summit ⁽⁴⁾.

⁽¹⁾ COM(2005) 132.

⁽²⁾ COM(2005) 133.

⁽³⁾ COM(2005) 134.

⁽⁴⁾ COM(2005) 259.

For its part, on 24 May the Council set out the position that the Union would be taking at the summit and reiterated its firm commitment to implementing the MDGs. It also stressed the need to improve the quality and effectiveness of official development assistance, in parallel with quantitative efforts in the area of development financing. It explicitly stated, as was then reconfirmed by the Heads of State or Government at the European Council in June, that promoting development was not just a priority and a responsibility for development practitioners, but that policies other than development policies had a crucial role to play to help developing countries reach the MDGs. With the new scheme of generalised tariff preferences which is due to enter into force on 1 January 2006 ⁽¹⁾ and the amendment of the preferential rules of origin in 2006, the Council has also undertaken to ensure that high levels of access are secured for beneficiary countries. It underlined that it considered the development of Africa, and in particular sub-Saharan Africa, as a priority in terms of development assistance.

Moreover, contributing to poverty reduction by attaining the MDGs was also the subject of several resolutions adopted by the European Parliament.

Financial aid

In 2005 European Union financial aid to developing countries as a whole amounted to EUR 7.5 billion. As regards the implementation of this aid, the completion of the process of devolution of responsibilities to the Commission delegations accredited to the beneficiary countries, which has been gradually achieved over the past three years, has indisputably led to swifter and more efficient management of the projects financed by the Union. On 14 December the European Parliament and the Council laid down rules on access to Community external aid which seek to further untie aid in line with the approach advocated since 2001 in the various international forums ⁽²⁾. Other arrangements were set out in detail in a Council regulation of 21 November ⁽³⁾.

More generally, 2005 represented a decisive step for the Union in terms of international commitments on financial aid.

New impetus was given to achieving the UN target of a ratio of 0.7 % between official development assistance (ODA) and gross national income (GNI) by 2015. To this end, on 24 May, in line with a guideline advocated by the Commission, the Council set a new collective target for the Union: to bring the ratio, which currently stands at 0.35 %, to 0.56 % by 2010, as an intermediate step, i.e. an additional ODA amount of EUR 20 billion a year. The increase takes account of the differences between old and new Member States, the latter being required to provide a lower contribution during a transition period.

⁽¹⁾ Regulation (EC) No 980/2005 (OJ L 169, 30.6.2005).

⁽²⁾ Regulation (EC) No 2110/2005 (OJ L 344, 27.12.2005).

⁽³⁾ Regulation (EC) No 2112/2005 (OJ L 344, 27.12.2005).

Similarly, a major effort is in the pipeline as regards debt, following the agreement signed in July by the G8 to cancel the debt of 18 highly indebted poor countries.

Policy coherence for development

The conclusions of the Council of 24 May 2005 gave the European Union a mandate for the period 2005–15, calling for help to be provided to developing countries to enable them to attain the MDGs by means of specific Union actions in the following European Union policy areas: trade, the environment, climate change, security, agriculture, fisheries, the social dimension of globalisation, employment and decent work, migration, research and innovation, information society, transport and energy.

As regards implementation, the same Council conclusions call for better procedures, mechanisms and instruments for policy coherence at Council, Commission and Member State level. The Council will assess how to enhance the effective integration of development issues into the work of sectoral groups within the Council. The Commission is requested to strengthen in particular its impact assessment tool and its consultations with developing countries during the policy formulation stage, and to consider, if necessary, new instruments to support the strengthening of policy coherence for development. The Member States are also requested to strengthen their procedures and instruments by drawing on best practices developed by certain Member States.

The Commission will draw up biennial reports assessing progress made at Council, Commission and Member State level in relation to the commitments on policy coherence for development. The first report will be published in 2007.

Health protection

In 2005 the European Union's action in terms of aid to the health sector in developing countries focused again on the fight against poverty-related diseases (AIDS, malaria, tuberculosis) and on the promotion of sexual and reproductive rights and health. In 2004 the Commission advocated a coherent European political framework for external support for combating such diseases, and in 2005 this materialised as an action programme to be implemented over the period 2007–11.

The initiative was presented by the Commission on 27 April ⁽¹⁾ and was approved first by the Council on 24 May and then by the European Council in June. Designed to constitute the basis of a sustainable EU policy, the action programme, which advocates both cooperation at global level and targeted support for the countries affected by such diseases, involves tangible and inexpensive actions, such as the distribution of free mosquito nets and contraceptives, and free access to AIDS testing and consultation services.

⁽¹⁾ COM(2005) 179.

At the request of the Council of 24 May, on 12 December the Commission also proposed a new Community strategy for action on the crisis in human resources for health in developing countries (¹). The aim of this initiative is to outline the coherent and coordinated response of the European Union and the Commission for the decade 2006–15 as regards action on human resources, proposed by the 57th World Health Assembly.

International cooperation against drugs

In 2005 the two most important developments in this area were: the exchange of letters between the Commission and the United Nations Office on Drugs and Crime with a view to strengthening their coordination, cooperation and partnership; and the renewal of the financing of the budget line on north–south cooperation in the area of the fight against drugs, which has enabled a number of inter-regional initiatives to be launched.

The main cooperation efforts with third countries again focused on Afghanistan and the Andean region, where Union strategies are aimed at developing alternative crops. Efforts were also made to combat drug abuse, production and trafficking in eastern Europe, central Asia, certain African and Asian countries and the Balkans.

The European Union also took part in numerous international multilateral (Paris Pact, Commission on Narcotic Drugs, Dublin Group) and bilateral (Andean Community and Latin America–Caribbean; Afghanistan, United States, Iran, Russia, Turkey) meetings.

Humanitarian aid

Overall strategy

In the face of the unprecedented human and material losses caused by the earthquake and tsunami which affected several countries in Asia and the Indian Ocean on 26 December 2004, massive humanitarian aid from the European Union and from the international community as a whole continued to flow towards these regions from the beginning of 2005. The Directorate-General for Humanitarian Aid (ECHO) played an active part in this. In total, the Union's financial commitment in the regions concerned amounted to over EUR 1.5 billion for both short-term measures and medium-term reconstruction efforts.

The work carried out under these extraordinary circumstances has taught the Union lessons which it can implement in the framework of a more comprehensive approach. As early as 31 January the Council adopted an action plan to provide a framework for all initiatives to be taken by the Union and its Member States and to coordinate all available means at all levels and in all areas in order to cope effectively with such

(¹) COM(2005) 642.

disasters. This initiative was extended on 20 April by a communication from the Commission setting out the measures to be taken to reinforce the Union's capacity to respond to complex disasters and crises in third countries ⁽¹⁾.

Alongside humanitarian aid as such, the European Union decided at the beginning of the year to extend the specific programme it has been implementing for several years in favour of uprooted peoples in Latin America and Asia until the end of 2006 ⁽²⁾.

The Union also subscribed to the commitments entered into at the UN summit in September (see above) to further develop and improve, if necessary, the mechanisms for implementing the emergency intervention plans under the auspices of the United Nations.

Main humanitarian aid operations

In 2005 the Commission allocated, through ECHO, EUR 652.1 million to humanitarian aid operations.

The main operations financed are set out in Table 2.

Table 2

(EUR)

| Humanitarian aid financing decisions (2005 budget) by geographical area | |
|--|--------------------|
| Africa, Caribbean, Pacific | 243 616 500 |
| Horn of Africa | 85 120 000 |
| African Great Lakes | 71 000 000 |
| West Africa | 52 550 000 |
| Caribbean, Pacific, Indian Ocean | 7 696 500 |
| Southern Africa | 27 250 000 |
| New independent States (Caucasus, Tajikistan) | 35 200 000 |
| Middle East | 39 576 000 |
| North Africa | 9 311 000 |
| Asia | 239 415 000 |
| Asia (except tsunami) | 116 415 000 |
| Asia (tsunami) | 123 000 000 |
| Latin America | 17 700 000 |
| Thematic financing | 20 500 000 |
| Technical assistance (experts and imprints) | 22 750 000 |
| Dipecho — Operational support and disaster prevention | 17 500 000 |
| Other expenses (audits, evaluations, information and communication, etc.) | 6 500 000 |
| Total 2005 | 652 068 500 |

⁽¹⁾ COM(2005) 153.

⁽²⁾ Regulation (EC) No 107/2005 (OJ L 23, 26.1.2005).

Regional approaches

An enhanced priority: specific responses for Africa

Beyond the cooperation it has provided for many years to Africa under the partnership involving all the African, Caribbean and Pacific countries (ACP countries — see below), the Union wished to lay special emphasis, in 2005, on the contribution it intends to make to developing sub-Saharan Africa.

All studies show that the region is lagging significantly behind the rest of the world as regards attaining the millennium development goals. In fact, it was during the preparation of the world summit aimed at taking stock of progress made in achieving these goals that the EU set out the guidelines which underpin its targeted approach for Africa.

The European Council in June endorsed the observations of the Commission set out in its April contributions to the preparation of the world summit (see above). The intended purpose is to present a European response comprising actions from both the Union Member States and the Union itself. In terms of niche sectors, the EU intends to catalyse other actors' actions in the sectors where it has specific experience or a comparative advantage and where it can deliver rapidly. Efforts must therefore be concentrated in the key sectors where the Union is in a pivotal position to lead international action. Specifically, this approach is based on the following priorities:

- to improve governance in Africa, in particular by developing the African Union's (AU) capacity and encouraging 'twinning partnerships' between EU and AU institutions; at the same time, to promote peace and security on the African continent;
- to create and maintain regional infrastructure services and networks in Africa, by building on the models provided by the financial facilities already set up by the European Union for water and energy;
- to strengthen Euro-African trade cooperation;
- to strive towards environmental sustainability and equitable societies which promote access to services, in particular health and education, and decent work for both men and women.

It is on the basis of this approach that the Union has undertaken to draw up a long-term global strategy for Africa.

The first milestone was set by the Commission on 12 October ⁽¹⁾, when it proposed a strategic partnership for security and development between the European Union and

⁽¹⁾ COM(2005) 489.

Africa for the coming decade. It set out a number of proposals, including the following key initiatives:

- one concerning governance: the Union would in particular be required to provide support for reforms triggered by the African peer review mechanism (APRM), a unique tool for peer review and peer learning in good democratic governance by and for Africans;
- one concerning infrastructure: the Union would provide specific support to programmes that facilitate interconnectivity at continental level to promote regional trade, integration, stability and development.

The Strategic Partnership for Africa, advocated by the European Parliament and the Council in November, was adopted by the December European Council. It underlined the importance of political dialogue between the European Union and Africa and agreed to conduct regular reviews of progress made in implementing the strategy from 2006.

In the face of more immediate economic concerns, the Union also continued to focus on crisis situations in various African countries. For instance, on several occasions during 2005 it examined developments in the African Great Lakes region. Through the actions of its various institutions, it also continued its efforts to find a solution to the Darfur conflict in Sudan. It also had to take restrictive measures against, and even partially suspend its cooperation with, countries (Côte d'Ivoire, the Democratic Republic of the Congo, Sudan, Zimbabwe) where serious violations of human rights, democracy and the rule of law were observed and condemned by the international community as a whole. Such measures were taken either within the general framework of the Union's common foreign and security policy or in application of provisions contained in the ACP–EC Partnership Agreement.

Cooperation with the ACP countries: an updated partnership framework

Background

The Cotonou ACP–EC Partnership Agreement

Following on from the successive Lomé Conventions, the Partnership Agreement signed in Cotonou on 23 June 2000 between the Community and 77 African, Caribbean and Pacific (ACP) countries was concluded for a period of 20 years⁽¹⁾. It contains a clause which provides for intermediate reviews every five years.

The Cotonou Agreement combines political, commercial and development components and is based on five interdependent pillars:

⁽¹⁾ OJ L 317, 15.12.2000.

- *a comprehensive political dimension;*
- *the promotion of participatory approaches and capacity building of non-state actors;*
- *a focus on the objective of poverty reduction;*
- *the setting-up of a new framework for economic and trade cooperation affording the possibility of negotiating regionalised economic partnership agreements (EPAs) before the end of 2007;*
- *financial cooperation focusing on coherence, flexibility and efficiency, and supported by resources from the European Development Fund (EDF) and the European Investment Bank (EIB). For the period 2000–05, aid amounted to EUR 13.5 billion from the EDF and EUR 1.7 billion from the EIB.*

Launched on 6 May 2004, the negotiations on the first five-year review of the Partnership Agreement ended on 23 February 2005.

EU cooperation with the ACP multi-regional group also took a major step forward in 2005: the revised ACP–EC Partnership Agreement was signed on 25 June in Luxembourg by the parties to the agreement — just over 100 countries (ACP countries and EU Member States) altogether, plus the Community as such.

While maintaining the bulk of the *acquis* of the Cotonou Agreement, the revised agreement covers a broad range of issues concerning:

- the political dimension with, in particular, the introduction of provisions on the international fight against terrorism and against the proliferation of weapons of mass destruction;
- development strategies, by taking into account new elements such as the millennium development goals and information and communication technologies;
- the investment facility in favour of ACP countries managed by the EIB;
- the implementation and management procedures, thanks to a simplification of these procedures and the introduction, in particular, of more flexibility in the allocation of resources.

Only the new multiannual financial framework remains to be specified in detail. In this respect, the Union has already undertaken to maintain a level of support to the ACP countries at least equivalent to that agreed for the first five years of application of the Cotonou Agreement.

Moreover, in the financial field, the Union is anxious to ensure that the current ninth EDF is implemented smoothly and has set 31 December 2007 as the deadline for committing the funds allocated to this heading. It has also released the balance of EUR 750 million of the conditional amount kept as a reserve under the ninth EDF.

Within the framework of economic and trade cooperation, substantial negotiations are under way with a view to concluding economic partnership agreements with six ACP regions in 2007. In 2005 the negotiations focused on the regional integration objectives and related trade and development policies of each ACP region. Designed as real development tools, EPAs are part of the overall effort to build up an economic governance framework and lay down the stable, transparent and predictable rules necessary to lower the costs of doing business, attract fresh domestic and foreign investment, and make ACP producers more diversified and competitive. On 9 November the Commission published a working document on the trade and development aspects of the EPA negotiations ⁽¹⁾.

Cooperation with Asia

In addition to pursuing ever greater technical cooperation with Asia, as demonstrated by the recent conclusion of scientific and technological agreements with several Asian countries, the Europe–Asia partnership was deepened in 2005 by means of a global approach and enhanced bilateral relations, in particular with the two Asian giants.

On the global front, a strategic dialogue with Asia was launched with the United States and Japan, given the increasing role this region is set to play in resolving the fundamental issues faced by the international community. Moreover, the need to strengthen the strategic dialogue on east Asia's security environment was strongly emphasised at the 14th European Union–Japan summit in Luxembourg on 2 May.

On the bilateral front, the summits held in September in Beijing and New Delhi respectively gave strong impetus to the Union's partnerships with both China and India.

In Beijing several agreements were signed, covering inter alia: economic and energy cooperation; the participation of China in the Galileo satellite radio navigation project; environmental protection; a loan for the extension of Beijing airport; and a maritime protocol. The two parties also agreed to launch negotiations to replace the 1985 trade and cooperation agreement by a new, more ambitious, European Union–China framework agreement.

In New Delhi, the Union and India adopted a comprehensive action plan clarifying the cooperation arrangements outlined in the 2004 strategic partnership. The commitments in the action plan are aimed at strengthening dialogue, consultation and exchange mechanisms in the political, cultural, educational, economic and commercial fields. In a resolution on 29 September the European Parliament supported the strengthening of the European Union–India partnership.

⁽¹⁾ SEC(2005) 1459.

Following the tsunami which hit Asia in December 2004, emergency aid, which enabled immediate needs to be met, was swiftly followed by the preparation of longer-term development aid. The Commission's concerted efforts laid the foundations for sustainable reconstruction and rehabilitation in favour of the communities affected in Aceh (Indonesia) and Sri Lanka. The process was accompanied by a political dialogue with a view to ensuring peace and stability in regions afflicted by local conflicts. The Commission provided EUR 170 million for a series of projects, most of which were managed jointly with other important donors so as to guarantee their effectiveness and coherence.

Cooperation with Latin America

The extension of the network of agreements between the European Union and Latin America is essentially what punctuated the partnership's progress in 2005, combined with the continuation of important ongoing regional cooperation programmes.

On 1 March the association agreement with Chile came into force. It aims to intensify dialogue on bilateral and international issues of common interest, including the fight against terrorism. It also includes strengthening cooperation in the political, commercial, economic, financial, scientific, technical, social and cultural fields.

Agreements on scientific and technological cooperation were also concluded in June with Brazil and Mexico. The resumption of negotiations on an association agreement with Mercosur was marked by the holding of a ministerial meeting in Brussels on 2 September and a meeting of coordinators on 16 November, with a view to concluding the agreement in 2006.

Another landmark in 2005 was the adoption by the Commission on 8 December of a communication 'A stronger partnership between the European Union and Latin America' ⁽¹⁾. The Commission proposes to renew its strategy with Latin America and sets out recommendations to enhance the bi-regional strategic partnership by means of four objectives: stepping up and focusing political dialogue; creating a climate favourable to trade and investment; supporting the efforts of countries in the region so as to contribute to stability and prosperity; cooperating more effectively and increasing mutual understanding.

The Commission also continued to implement the commitments entered into at the Guadalajara summit in May 2004 and has started preparations for the fourth European Union–Latin America summit to be held in Vienna on 11 and 12 May 2006. It has also started planning the meeting, including the 2007–13 country strategy papers and regional strategy papers for Latin America.

⁽¹⁾ COM(2005) 636.

In the area of trade, following the adoption in June of a Council regulation on the new scheme of generalised tariff preferences for the period 2006–08 ⁽¹⁾, the countries of Central America and the Andean region now enjoy free access to the Community market for most of their exports through the new sustainable-development and good-governance incentive.

General references and other useful links

- Directorate-General for External Relations:
http://europa.eu.int/comm/external_relations/index.htm
- EuropeAid Co-operation Office:
http://europa.eu.int/comm/europeaid/index_en.htm
- Human rights:
http://europa.eu.int/comm/external_relations/human_rights/intro/index.htm
- Sustainable development:
http://europa.eu.int/comm/sustainable/index_en.htm
- Development cooperation and Directorate-General for Development:
http://europa.eu.int/comm/development/index_en.htm
- Millennium development goals (MDGs):
<http://www.un.org/millenniumgoals/>
- Council conclusions of 22 November 2005: 'The European Consensus on Development':
http://europa.eu.int/comm/development/body/development_policy_statement/index_en.htm
- Directorate-General for Humanitarian Aid (ECHO):
http://europa.eu.int/comm/echo/index_en.htm
- Relations with ACP countries:
<http://www.acpsec.org/>
- New Partnership for Africa's Development (NEPAD):
<http://www.nepad.org/>
- Cotonou Partnership Agreement:
http://europa.eu.int/comm/development/body/cotonou/index_en.htm
- Relations with Mediterranean countries:
http://europa.eu.int/comm/external_relations/med_mideast/intro/index.htm
- Relations with Asia:
http://europa.eu.int/comm/external_relations/asia/index.htm
http://europa.eu.int/comm/europeaid/projects/asia/index_en.htm
- Relations with Latin America:
http://europa.eu.int/comm/external_relations/la/index.htm
http://europa.eu.int/comm/europeaid/projects/amlat/index_en.htm

(1) Regulation (EC) No 980/2005 (OJ L 169, 30.6.2005).

Section 3

Contribution to security in the world

Common foreign and security policy

Background

The common foreign and security policy was established as the second pillar of the European Union by the Treaty on European Union signed at Maastricht in 1992. It aims to guarantee, beyond the European Union, an extended area of stability and democratic progress.

The 1997 Treaty of Amsterdam highlighted five fundamental objectives in this respect:

- *safeguard the common values, independence and integrity of the Union applying the principles set out in the UN Charter;*
- *strengthen the Union's security;*
- *preserve peace and strengthen international security in accordance with the principles of the UN Charter;*
- *promote international cooperation;*
- *develop and consolidate democracy and the rule of law, respect for human rights and fundamental freedoms.*

The means that the Treaty on European Union identifies to obtain those objectives include the establishment of common strategies by country or region (Russia, Ukraine, Mediterranean countries and Middle East peace process) in which the aims to be achieved are set out, as are their duration and the resources to be mobilised.

Over and above these mechanisms, the Union maintains a political presence, particularly in crisis and/or conflict zones. Special representatives are present notably in Afghanistan, central Asia, the Former Yugoslav Republic of Macedonia, the South Caucasus, the African Great Lakes region, Moldova, the Middle East and Sudan.

The changing nature of international security as a result, notably, of the increase in non-state actors as new sources of threat prompted the Council to support, in its conclusions of 3 October, the drafting of an international treaty on trade in arms so that a formal process could be swiftly started at the United Nations. With the aim of preserving international security, it also confirmed its backing for action by the International Atomic Energy Agency (IAEA) through the implementation of certain elements of the Union strategy against the proliferation of weapons of mass destruction ⁽¹⁾.

⁽¹⁾ Joint Action 2005/574/CFSP (OJ L 193, 23.7.2005).

The joint actions and common positions adopted by the Council in implementing the CFSP during the year concerned:

- in the Balkans:
 - extension and amendment of the mandate of the European Union Police Mission in Bosnia and Herzegovina ⁽¹⁾;
 - extension of the mandate of the European Union special representative in Bosnia and Herzegovina ⁽²⁾;
 - extension of the European Union monitoring mission (EUMM) ⁽³⁾;
 - extension and amendment of the common position concerning restrictive measures in respect of extremists in the Former Yugoslav Republic of Macedonia ⁽⁴⁾;
 - extension of the mandate of the European Union special representative in the Former Yugoslav Republic of Macedonia and appointment of a new special representative ⁽⁵⁾;
 - extension of the European Union Police Mission in the Former Yugoslav Republic of Macedonia (EUPOL 'Proxima') ⁽⁶⁾;
 - establishment of an EU Police Advisory Team in the Former Yugoslav Republic of Macedonia ⁽⁷⁾;
 - implementation of common positions concerning the International Criminal Tribunal for the former Yugoslavia (ICTY) ⁽⁸⁾;
 - adoption of a common position concerning the ICTY ⁽⁹⁾;
 - extension of a common position concerning the ICTY ⁽¹⁰⁾;
- in the South Caucasus:
 - amendment of the mandate of the European Union special representative for the South Caucasus ⁽¹¹⁾;
 - amendment and extension of the mandate of the European Union special representative for the South Caucasus ⁽¹²⁾;

⁽¹⁾ Decision 2005/81/CFSP (OJ L 29, 2.2.2005) and Joint Actions 2005/143/CFSP (OJ L 48, 19.2.2005) and 2005/824/CFSP (OJ L 307, 25.11.2005).

⁽²⁾ Joint Actions 2005/97/CFSP (OJ L 31, 4.2.2005), 2005/583/CFSP (OJ L 199, 29.7.2005) and 2005/825/CFSP (OJ L 307, 25.11.2005).

⁽³⁾ Joint Action 2005/807/CFSP (OJ L 303, 22.11.2005).

⁽⁴⁾ Common Position 2005/80/CFSP (OJ L 29, 2.2.2005).

⁽⁵⁾ Joint Actions 2005/98/CFSP (OJ L 31, 4.2.2005), 2005/589/CFSP (OJ L 199, 29.7.2005) and 2005/724/CFSP (OJ L 272, 18.10.2005).

⁽⁶⁾ Joint Action 2005/142/CFSP (OJ L 48, 19.2.2005).

⁽⁷⁾ Joint Action 2005/826/CFSP (OJ L 307, 25.11.2005).

⁽⁸⁾ Decisions 2005/83/CFSP (OJ L 29, 2.2.2005), 2005/148/CFSP (OJ L 49, 22.2.2005) and 2005/316/CFSP (OJ L 100, 20.4.2005).

⁽⁹⁾ Common Position 2005/227/CFSP (OJ L 71, 17.3.2005).

⁽¹⁰⁾ Common Position 2005/689/CFSP (OJ L 261, 7.10.2005).

⁽¹¹⁾ Joint Action 2005/330/CFSP (OJ L 106, 27.4.2005).

⁽¹²⁾ Joint Actions 2005/100/CFSP (OJ L 31, 4.2.2005) and 2005/582/CFSP (OJ L 199, 29.7.2005).

- in Asia:
 - appointment of the European Union special representative for central Asia ⁽¹⁾;
 - creation of a monitoring mission to Aceh, Indonesia (AMM) ⁽²⁾;
 - amendment of the common position concerning Myanmar ⁽³⁾;
 - extension of the restrictive measures and amendment of the common position concerning Myanmar ⁽⁴⁾;
 - extension of the mandate of the European Union special representative in Afghanistan ⁽⁵⁾;
- in Africa:
 - amendment and extension of the European Union special representative's mandate for the African Great Lakes region ⁽⁶⁾;
 - extension of the Police Mission in Kinshasa (Democratic Republic of the Congo) (EUPOL 'Kinshasa') ⁽⁷⁾;
 - setting-up and extension of a mission on security sector reform in the Democratic Republic of the Congo (EUSEC GRD Congo) ⁽⁸⁾;
 - appointment of the EU special representative for Sudan ⁽⁹⁾;
 - adoption of an EU civilian-military support mission to the AU mission in the Sudanese region of Darfur (AMIS II) ⁽¹⁰⁾;
 - adoption of a common position concerning Sudan ⁽¹¹⁾;
 - extension of the common position concerning Zimbabwe ⁽¹²⁾;
 - repeal of common positions on Nigeria, Angola, Rwanda, the Lusaka ceasefire and the peace process in the Democratic Republic of the Congo ⁽¹³⁾;
- in the Middle East:
 - adoption of a joint action establishing a European Union border assistance mission to the Rafah crossing point (EU BAM Rafah) ⁽¹⁴⁾;

⁽¹⁾ Joint Action 2005/588/CFSP (OJ L 199, 29.7.2005).

⁽²⁾ Joint Action 2005/643/CFSP (OJ L 234, 10.9.2005).

⁽³⁾ Common Position 2005/149/CFSP (OJ L 49, 22.2.2005).

⁽⁴⁾ Common Position 2005/340/CFSP (OJ L 108, 29.4.2005).

⁽⁵⁾ Joint Actions 2005/95/CFSP (OJ L 31, 4.2.2005) and 2005/585/CFSP (OJ L 199, 29.7.2005).

⁽⁶⁾ Joint Actions 2005/96/CFSP (OJ L 31, 4.2.2005) and 2005/586/CFSP (OJ L 199, 29.7.2005).

⁽⁷⁾ Joint Action 2005/822/CFSP (OJ L 305, 24.11.2005).

⁽⁸⁾ Joint Actions 2005/355/CFSP (OJ L 112, 3.5.2005) and 2005/868/CFSP (OJ L 318, 6.12.2005).

⁽⁹⁾ Joint Action 2005/556/CFSP (OJ L 188, 20.7.2005).

⁽¹⁰⁾ Joint Actions 2005/557/CFSP (OJ L 188, 20.7.2005) and 2005/806/CFSP (OJ L 303, 22.11.2005).

⁽¹¹⁾ Common Position 2005/411/CFSP (OJ L 139, 2.6.2005).

⁽¹²⁾ Common Position 2005/146/CFSP (OJ L 49, 22.2.2005).

⁽¹³⁾ Common Position 2005/82/CFSP (OJ L 29, 2.2.2005).

⁽¹⁴⁾ Joint Action 2005/889/CFSP (OJ L 327, 14.12.2005).

- extension of the mandate of the European Union special representative for the peace process in the Middle East ⁽¹⁾;
- adoption of a joint action for the launching of a Police Mission in the Palestinian Territories (EUPOL COPPS) ⁽²⁾;
- adoption of an integrated 'rule of law' mission for Iraq (Eujust LEX) ⁽³⁾;
- in eastern Europe:
 - appointment, extension and amendment of the mandate of the EU special representative for Moldova ⁽⁴⁾;
 - extension and amendment of the common position concerning Moldova ⁽⁵⁾;
 - extension of the common position concerning Belarus ⁽⁶⁾;
- updating the common position on the application of specific measures with a view to combating terrorism ⁽⁷⁾;
- updating the specific restrictive measures directed against certain persons and entities with a view to combating terrorism ⁽⁸⁾.

European security strategy and European security and defence policy (ESDP)

Background

At the Cologne European Council in June 1999, European Union leaders agreed that the Union should possess capability for autonomous action backed up by credible military forces with the means to decide to use them and the readiness to do so in order to react to international crises without prejudice to action undertaken by NATO.

The Helsinki European Council in December 1999 defined the 'headline goal' targeted among other things on the following:

- *as part of voluntary cooperation in operations conducted by the European Union, Member States should be able, from 2003, to deploy within 60 days and support for at least one year military forces of up to 50 000 to 60 000 persons capable of carrying out all the missions covered by Article 17 of the Treaty on European Union, the 'Petersberg' missions;*

⁽¹⁾ Joint Actions 2005/99/CFSP (OJ L 31, 4.2.2005) and 2005/587/CFSP (OJ L 199, 29.7.2005).

⁽²⁾ Joint Action 2005/797/CFSP (OJ L 300, 17.11.2005).

⁽³⁾ Joint Action 2005/190/CFSP (OJ L 62, 9.3.2005).

⁽⁴⁾ Joint Actions 2005/265/CFSP (OJ L 81, 30.3.2005), 2005/584/CFSP (OJ L 199, 29.7.2005) and 2005/776/CFSP (OJ L 292, 8.11.2005).

⁽⁵⁾ Common Position 2005/147/CFSP (OJ L 49, 22.2.2005).

⁽⁶⁾ Common Position 2005/666/CFSP (OJ L 247, 23.9.2005).

⁽⁷⁾ Common Position 2005/427/CFSP (OJ L 144, 8.6.2005).

⁽⁸⁾ Decision 2005/428/CFSP (OJ L 144, 8.6.2005).

- *new political and military bodies and structures would be created within the Council to enable the Union to adhere to the political line and strategic direction necessary for those operations within a single institutional framework.*

The Union decided to develop the civilian aspects of crisis management in four priority fields defined by the Feira European Council in June 2000: police; strengthening of the rule of law; civilian administration; civil protection. The specific capabilities associated with these fields should be used in the context of Union-led autonomous missions or operations conducted by organisations such as the UN or the Organisation for Security and Cooperation in Europe (OSCE).

On 20 November 2000, Member States took part in a capabilities commitment conference. Their commitments were set out in the Helsinki Force Catalogue in order to meet all the Petersberg missions.

In December 2000 the Nice European Council approved the creation of new permanent political and military bodies, which were set up on 22 January 2001 ⁽¹⁾:

- *political and security committee;*
- *military committee;*
- *military staff.*

In May 2003 the Council confirmed that the Union now had an operational capability across the full range of Petersberg tasks, limited and constrained by recognised shortfalls. These limitations and/or constraints are on deployment time and high risk may arise at the upper end of the spectrum of scale and intensity, in particular when conducting concurrent operations. These limitations and constraints on full achievement of the headline and capability goals could be alleviated if the recommendations on meeting the shortfalls are followed up.

On 12 December 2003 the European Council adopted a European security strategy entitled 'A secure Europe in a better world'.

Activities in 2005

Reporting on its activity during the first six-month period in the field of the European security and defence policy, the Luxembourg Presidency stressed that the world had become 'global' in both political and security terms and remained unstable. Terrorism had not been eradicated, the proliferation of the weapons of mass destruction had not been halted and regional crises and conflicts continued to spread. No Member State could today take up these challenges alone. No Member State could cope alone with these threats and dangers. There therefore had to be a joint response in which Europe had a key role to play along with its partners.

The common foreign policy derives its authority from the existence of credible means. The Union therefore strove in 2005 to boost its ESDP operational capability, both military and civilian, and to implement a strategy to fill the gaps. To cope with the challenges

⁽¹⁾ OJ L 27, 30.1.2001.

and to be in a position to contribute to crisis management in the future, it continued and strengthened the process of developing its medium- and long-term capabilities.

The European Union will soon have a rapid reaction capability, based on 13 national or multinational battle groups. It plans to have full capability to undertake two rapid reaction operations involving a battle group, including the capability of launching these two operations more or less concurrently.

To be able to react swiftly, it has to speed up European and national decision-making and planning processes for EU rapid reaction operations. At European level, rules were set up to ensure that this decision-making process could be conducted within five days of the Council's approval of the crisis management concept and the decision to launch an operation. At national level Member States committed themselves to revising their procedures so as to comply with a Union request as rapidly as possible. This involves finding rapid mechanisms while maintaining prior national parliamentary control where necessary.

European Defence Agency

The tasks of the European Defence Agency, established in 2004, are to:

- improve the Union's defence capabilities in the field of crisis management;
- promote European cooperation in the field of armaments;
- strengthen the European industrial and technological base in the field of defence and create a competitive European defence equipment market, in consultation with the Commission;
- promote research, in connection with Community research activities, with a view to strengthening Europe's industrial and technological potential in the field of defence.

In 2005 the Agency implemented its first work programme, with four main strands corresponding to the branches of its central administration:

- 'Capabilities', which develops European military capabilities in liaison with existing structures such as the military staff; its activities in 2005 focused on command and control communications and interoperability;
- 'Research and technology', whose key project for long-endurance uninhabited air vehicles is in its preparatory phase;
- 'Armaments', whose priority in 2005 concerns the armoured vehicles sector;
- 'Industry and market', which explores the options the Commission presented in 2004 in its Green Paper on defence equipment ⁽¹⁾ and military initiatives the Agency could take.

⁽¹⁾ COM(2004) 608.

Operations on the ground

Launched on 2 December 2004, and taking over from SFOR (led by NATO) to help to maintain a security environment linked to the implementation of the Dayton agreements, the Althea operation in Bosnia and Herzegovina contributes to the attainment of the European Union's long-term objective: a stable, peaceful and multi-ethnic Bosnia and Herzegovina. It supported the UN High Representative's implementation plan, including the fight against organised crime, and the stabilisation and association process in which internal and external security go hand in hand.

Althea is a concrete example of the strategic partnership with NATO on crisis management and shows that the Union and NATO can cooperate in an exemplary way and develop constructive synergies to manage international crises.

In 2005 the Union was involved under the ESDP in eight operations on the ground:

- military operation in Bosnia and Herzegovina (EUFOR-Althea), mentioned above;
- Police Mission in the Former Yugoslav Republic of Macedonia (EUPOL 'Proxima');
- Police Mission in Bosnia and Herzegovina (EUPM) ⁽¹⁾, which takes over from the International Police Task Force;
- Police Mission in Kinshasa (Democratic Republic of the Congo) (EUPOL 'Kinshasa') ⁽²⁾;
- integrated 'rule of law' mission for Iraq (Eujust LEX) ⁽³⁾;
- security sector reform mission in the Democratic Republic of the Congo (EUSEC GRD Congo) ⁽⁴⁾;
- civilian-military support mission to the African Union mission in the Sudanese region of Darfur (AMIS II) ⁽⁵⁾;
- monitoring mission to Aceh, Indonesia (AMM) ⁽⁶⁾.

Three operations were completed: military operation in the Former Yugoslav Republic of Macedonia (Concordia), military operation in the Democratic Republic of the Congo (Artemis) and 'rule of law' mission in Georgia (Eujust Themis).

⁽¹⁾ Decision 2005/81/CFSP (OJ L 29, 2.2.2005), and Joint Actions 2005/143/CFSP (OJ L 48, 19.2.2005) and 2005/824/CFSP (OJ L 307, 25.11.2005).

⁽²⁾ Joint Action 2005/822/CFSP (OJ L 305, 24.11.2005).

⁽³⁾ Joint Action 2005/190/CFSP (OJ L 62, 9.3.2005).

⁽⁴⁾ Joint Action 2005/355/CFSP (OJ L 112, 3.5.2005).

⁽⁵⁾ Joint Actions 2005/557/CFSP (OJ L 188, 20.7.2005) and 2005/806/CFSP (OJ L 303, 22.11.2005).

⁽⁶⁾ Joint Action 2005/643/CFSP (OJ L 234, 10.9.2005).

Reconstruction of Iraq

Background

The international community as a whole is agreed on one objective: a democratic, pluralist, federal and unified Iraq, taking account of the will of Iraqi people and fully respecting political and human rights.

The Union is strongly committed in Iraq: as the world's main donor, since 2003 it has allocated EUR 518 million to the rebuilding of the country through the Multi-Donor Trust Fund for Iraq.

This rebuilding involves reorganising essential services: basic education, health, job creation, technical assistance to the energy and transport ministries, but more especially, the restoration and maintenance of democracy and human rights.

In 2005 the restoration of democracy began with the presidential elections which enabled Iraqis to elect their first President freely since Saddam Hussein in the person of Mr Jalal Talabani. These elections demonstrated the Iraqi people's desire to rebuild the country on solid democratic foundations.

The European Union's contribution was to finance a broad programme of support (EUR 31.5 million) ranging from information technology to voter information on the ground. European experts were seconded to Baghdad to support the work of the UN electoral assistance group. The Commission organised a training programme for 170 Iraqi electoral observers.

Restoring the rule of law also involves the framing of a new constitution, an essential pillar for the stability of a young multicultural democratic republic and of fundamental political and legal importance: the European Union contributed EUR 20 million (for the distribution of hundreds of thousands of posters and leaflets, broadcasting radio and television messages, publication of advertisements in newspapers and a constitution translated into four languages and sent out in several million copies). These funds enabled the Union to cover the entirety of the United Nations' financing needs relating to the constitution. The constitutional referendum of 25 October resulted in the adoption of the new Iraqi Constitution by 78 % of the voters.

In helping rebuild Iraq, the European Union also opted to train human resources essential to the proper functioning of the rule of law. Under its Eujust LEX initiative, the Council adopted, in the first quarter of 2005, a joint action relating to the integrated 'rule of law' mission for Iraq, Eujust LEX ⁽¹⁾. On 1 July, following the adoption of the action plan for this mission on 13 June, the Union started its programme of social and economic reconstruction through the training of judges, prosecutors and police

⁽¹⁾ OJ L 62, 9.3.2005.

officers. Overall, the Union will have spent EUR 80 million on the Iraqi political process during 2005.

While the internal reconstruction of Iraq remains the top priority, the European Union has also focused on the country's future place in the multilateral system. On 21 September, on the fringes of the UN General Assembly, the first joint political statement between the Union and Iraq was signed. This is a decisive step towards a closer partnership between Europe and Iraq, paving the way for a cooperation agreement covering a range of trade and development matters. The Council stated, on several occasions in the course of the year, that Iraq could benefit from the European Union generalised system of preferences.

The objectives for 2006 are already clear, with priority going to the construction of transparent and accountable institutions such as a legislative parliament and reliable financial institutions. The European Council of December welcomed the conduct of the general elections of 15 December and called for the rapid formation of a new government which will work effectively and peacefully towards reconciliation among Iraqis.

Middle East peace process

Background

Europe has always maintained a strong presence in the Middle East and, in 2005, it continued playing a key role from the diplomatic point of view.

The European Union strategy in the Middle East is based on the roadmap framed in 2002 by the international 'Quartet' (United Nations, European Union, United States, Russia).

As the main source of support (EUR 14 million) for the electoral process which led to the Palestinian presidential elections of 9 January, the European Union ensured smooth conduct of the vote by means of an election observer mission.

The events which took place during the year, and in particular the Israeli withdrawal from Gaza and parts of the northern West Bank, are significant milestones which have offered the best chance of sustainable peace the region has seen for many years. The European Union is in a position to make a key contribution to the future establishment of a Palestinian State living in peace with Israel. To realise this potential, the Commission defined the framework of a long-term overall strategy on 5 October ⁽¹⁾ to support moves towards the two-state solution envisaged by the roadmap, and for its relations with a future Palestinian State. This strategy comprises a series of priority measures to be taken to guarantee the success of the Union's commitment:

⁽¹⁾ COM(2005) 458.

- support for the electoral process, for the adoption of a legal system and for the rule of law, subject to the implementation of the recommendations of the European Union election observer mission and reforms;
- support for the reform of the Palestinian Authority, subject to increased accountability of public institutions and restructuring of the ministries;
- improvement in trade and investment conditions in Gaza and in the West Bank, to make them viable and independent of the Israeli economy but at the same time integrated into the regional economy;
- the rebuilding of the Palestinian Territories' infrastructure, subject to the lifting of restrictions on the movement of persons and goods and coordination among donors.

The European Union Political and Security Committee gave its agreement in principle, on 25 October, to the launching of a Police Mission in the Palestinian Territories (EU COPPS). Planned to last three years, it will be made up of 30 EU experts. The joint action was adopted by the Council on 14 November ⁽¹⁾.

On 12 December the Council also adopted a joint action establishing a European Union border crossing point (EU BAM Rafah) ⁽²⁾.

Transatlantic partnership

Transatlantic relations entered a new era with the meeting between US President George Bush and Commission President José Manuel Barroso at Commission headquarters on 22 February. This visit confirmed once more that the USA and Europe need one another and laid the foundations for closer cooperation in the promotion of democracy, freedom and prosperity, and in the construction of a more secure world.

Talks focused on two main issues: the European Union contribution to fostering stability in the Middle East, in particular the peace process, Iraq, and reform in the region in the broad sense, where the Commission had made a substantial contribution to the consolidation of peace; and the fresh impetus to be given to deepening the transatlantic economic partnership so as to reduce obstacles to trade and investment and develop fully the potential that the transatlantic market offers.

On 18 May, in order to spell out the objectives to be discussed at the European Union–United States summit of 20 June, the Commission adopted a communication on a stronger transatlantic partnership and a more open market for the 21st century ⁽³⁾. It stresses the importance of developing transatlantic trade and investment and

⁽¹⁾ Joint Action 2005/797/CFSP (OJ L 300, 17.11.2005).

⁽²⁾ Joint Action 2005/889/CFSP (OJ L 327, 14.12.2005).

⁽³⁾ COM(2005) 196.

stimulating economic growth. To this end, the Commission formulates proposals on: regulatory cooperation; services; investment; competition; procurement; intellectual property rights; innovation and new technologies; interdependence between trade and security. The 20 June summit saw the adoption of joint statements, eight in all, on: the strengthening of transatlantic economic integration; the strengthening of cooperation on the non-proliferation of weapons of mass destruction and the fight against terrorism; the promotion of peace, stability, prosperity and good governance in Africa; the fight against global piracy and counterfeiting; the promotion of democracy and freedom, the rule of law and human rights in the world; the 60th anniversary of the signing of the San Francisco Charter (UN); the Middle East; non-proliferation of weapons of mass destruction.

In a statement on improving transatlantic economic relations, the June summit instructed high representatives on both sides of the Atlantic to draw up a joint work plan for implementation of this initiative. On 30 November a meeting of economic affairs ministers took note of the work programme negotiated with the United States on the basis of a Commission initiative.

A range of European Union–United States summit topics had also been broached the day before at the European Union–Canada summit during which part of the discussions was given over to assessing the first year of implementation of the EU–Canada partnership agreement. According to the two sides, this had enabled significant progress on air transport security with the signing of an agreement on the transfer of data concerning air passengers on 3 October and on global issues such as climate change.

The White House had not seen a meeting between a Commission President and the President of the United States for many years. In the context of their strong transatlantic ties, Europe and the United States are linked by the world's most important bilateral trade and investment relationship even if disagreements in this field sometimes make the headlines. In addition, at their meeting in Washington on 18 October, Mr Barroso and President Bush stressed that their main common concerns were the success of the Doha Round, even if the agricultural issue still divided them, and cooperation on legal matters and on the fight against terrorism. They also highlighted the importance of US–EU cooperation on foreign policy, in particular on the Middle East peace process, the EU and the USA being members of the roadmap 'Quartet'. Joint efforts on the rebuilding of Afghanistan and Iraq and on aid for Africa, the promotion of democracy in Lebanon and in Ukraine, and the non-proliferation of weapons of mass destruction, in particular in Iran, were also discussed.

Relations with eastern Europe

In 2005, the relationship between the European Union and Russia was heavily influenced by the oil crisis, climate change and the accession to the Union of 10 new

Member States on 1 May 2004. Russia is one of Europe's principal energy partners, with half the gas and almost a third of the oil consumed in the 25 Member States coming from or transiting through Russia. Russia became the Union's fourth largest trading partner while the Union remained Russia's main trading partner. This had led both powers to strive for closer cooperation and a more thorough dialogue.

This rapprochement saw the adoption, at the 15th European Union–Russia summit held in Moscow on 10 May, of roadmaps designed to create four 'common spaces' in: trade and the economy; external security; freedom, security and justice; research and education. The European Union–Russia summit held in London on 4 October saw the approval of a readmission agreement and an accord streamlining procedures for granting visas which the two sides had negotiated during the previous few months. Both agreements were initialled at the European Union–Russia Permanent Partnership Council held in Luxembourg on 13 October. More generally, both partners wished to intensify their cooperation by establishing dialogue on economic and commercial policy, and in fields such as space policy, satellite navigation, telecommunications, the information society and transport (see 'Transport and energy' in Chapter II of this Report). The Union continued its backing for Russia's bid to join the World Trade Organisation (WTO) and underlined Russia's need to honour the bilateral commitments made in May 2004, in particular on the system of the taxes for overflying Siberia.

Regional security matters were also regularly addressed during the year, notably after the events of May in Uzbekistan. The use of force, considered excessive by the Council in its conclusions of 23 and 24 May, and the refusal of that country's authorities to allow an independent international inquiry gave rise to concern in the Union. In this connection, Parliament, in a resolution of 9 June, pointed out that the fight against terrorism had to be carried out in compliance with international conventions and could not justify muzzling political opponents, violating human rights or curbing civil liberties.

In Ukraine the year began with the inauguration of the newly elected President of the Republic, Mr Victor Yushchenko. The crisis that the country went through in the wake of the presidential elections at the end of 2004 had given rise to worldwide concern. But the democratic outcome and the new political situation prompted the European Union to adopt a new action plan under the European neighbourhood policy (ENP) on 21 February, and to review its relations with Ukraine along the lines of a deeper association and closer cooperation. A free-trade area between the European Union and Ukraine is planned once the country joins the World Trade Organisation, a process fully supported by the European Union. Ukraine continued to seek 'market economy' status in connection with the use of trade defence instruments. At the Kiev summit in December between the European Union and Ukraine, the Union announced that it would set in motion the procedures to grant Ukraine this status.

General references and other useful links

- External relations:
http://europa.eu.int/comm/external_relations/index.htm
- Common foreign and security policy :
http://europa.eu.int/comm/external_relations/cfsp/intro/index.htm
- United Nations:
<http://www.un.org/>
- International Atomic Energy Agency:
<http://www.iaea.org/>
- Council website devoted to security and European defence policy:
http://ue.eu.int/cms3_fo/showPage.asp?id=261&lang=en&mode=g
- European Defence Agency
<http://www.eda.eu.int/>
- European Union Institute for Security Studies:
<http://www.iss-eu.org/>
- European Union Satellite Centre:
<http://www.eusc.org/>
- Civilian operations:
http://europa.eu.int/comm/external_relations/cfsp/fin/pja.htm
- Rebuilding Iraq:
http://europa.eu.int/comm/external_relations/iraq/intro/index.htm
<http://www.un.org/apps/newsFr/infocusRelF.asp?infocusID=27&Body=iraq&Body1=inspection>
- Multi-Donor Trust Fund for Iraq:
<http://www.irffi.org/>
- United Nations Assistance Mission for Iraq:
<http://www.uniraq.org/>
- Middle East peace process:
http://europa.eu.int/comm/external_relations/mepp/index.htm
<http://www.un.org/apps/newsFr/infocusRelF.asp?infocusID=22&Body=moyen-orient&Body1=>
- EU–United States relations:
http://europa.eu.int/comm/external_relations/us/intro/index.htm
- EU–Canada relations:
http://europa.eu.int/comm/external_relations/canada/intro/index.htm
- EU–Russia relations
http://europa.eu.int/comm/external_relations/russia/intro/index.htm
- EU–Ukraine relations:
http://europa.eu.int/comm/external_relations/ukraine/intro/index.htm

Institutions and other bodies

European Parliament

Secretariat
Centre européen, plateau du Kirchberg
L-2929 Luxembourg
Tel. (352) 43 00-1

Council of the European Union

General Secretariat
Rue de la Loi 175
B-1048 Brussels
Tel. (32-2) 285 61 11

European Commission

Rue de la Loi 200
B-1049 Brussels
Tel. (32-2) 299 11 11

Court of Justice, Court of First Instance and Civil Service Tribunal

Boulevard Konrad Adenauer
L-2925 Luxembourg
Tel. (352) 43 03-1

European Court of Auditors

12, rue Alcide De Gasperi
L-1615 Luxembourg
Tel. (352) 43 98-1

European Economic and Social Committee

Rue Belliard 99
B-1040 Brussels
Tel. (32-2) 546 90 11

Committee of the Regions

Rue Belliard 101
B-1040 Brussels
Tel. (32-2) 282 22 11

European Central Bank

Kaiserstraße 29
D-60311 Frankfurt am Main
Tel. (49-69) 13 440

European Investment Bank

100, boulevard Konrad Adenauer
L-2950 Luxembourg
Tel. (352) 43 79-1

European Ombudsman

1, avenue du Président-Robert-Schuman
BP 403
F-67001 Strasbourg Cedex

European Data Protection Supervisor

Rue Wiertz 60
B-1047 Brussels
Tel. (32-2) 283 19 00

Decentralised bodies of the European Union

<http://publications.eu.int/code/en/en-390500.htm#organesautres>

Community agencies (first pillar)

European Centre for the Development of Vocational Training (Cedefop)

European Foundation for the Improvement of Living and Working Conditions (Eurofound)

European Environment Agency (EEA)

European Training Foundation (ETF)

European Monitoring Centre for Drugs and Drug Addiction (EMCDDA)

European Medicines Agency (EMA)

Office for Harmonisation in the Internal Market (Trade Marks and Designs) (OHIM)

European Agency for Safety and Health at Work (OSHA)

Community Plant Variety Office (CPVO)

Translation Centre for the Bodies of the European Union (CdT)

European Monitoring Centre on Racism and Xenophobia (EUMC)

European Agency for Reconstruction (EAR)

European Food Safety Authority (EFSA)

European Maritime Safety Agency (EMSA)

European Aviation Safety Agency (EASA)

European Network and Information Security Agency (ENISA)

European Centre for Disease Prevention and Control (ECDC)

European Railway Agency (ERA)

European GNSS Supervisory Authority

European Agency for the Management of Operational Cooperation at the External Borders of the Member States of the European Union (Frontex)

Community Fisheries Control Agency (CFCA)

Proposed Community agencies (first pillar)

European Chemicals Agency (ECA)

European Institute for Gender Equality

Agency for Fundamental Rights

European Union agencies (second and third pillars)

European Union Institute for Security Studies (ISS)

European Union Satellite Centre (EUSC)

European Defence Agency (EDA)

European Police Office (Europol)

European body for the enhancement of judicial cooperation (Eurojust)

European Police College (CEPOL)

European Union



Summary of appropriations for commitments (by policy area)

| Title | Budget 2004 | | Budget 2005 | |
|---|------------------------|-----------------------------------|------------------------|-----------------------------------|
| | Commitments EUR | Human resources ⁽¹⁾ | Commitments EUR | Human resources ⁽¹⁾ |
| 01 Economic and financial affairs | 425 151 132 | 544 | 400 201 998 | 538 |
| 02 Enterprise | 297 640 039 | 972 | 381 316 768 | 1 045 |
| 03 Competition | 84 150 502 | 823 | 89 127 373 | 867 |
| 04 Employment and social affairs | 10 886 892 916 | 871 | 11 427 816 628 | 909 |
| 05 Agriculture and rural development | 48 805 080 854 | 1 214 | 53 184 651 245 | 1 243 |
| 06 Energy and transport | 1 359 127 528 | 1 108 | 1 415 885 043 | 1 161 |
| 07 Environment | 339 023 508 | 679 | 325 818 542 | 694 |
| 08 Research | 3 223 358 555 | 1 717 | 3 307 806 914 | 1 779 |
| 09 Information society | 1 190 495 062 | 1 078 | 1 375 250 095 | 1 146 |
| 10 Direct research | 305 635 086 | 2 403 | 366 418 287 | 2 347 |
| 11 Fisheries | 971 368 463 | 333 | 1 019 875 616 | 366 |
| 12 Internal market | 69 662 231 | 571 | 73 581 959 | 584 |
| 13 Regional policy | 26 626 432 378 | 676 | 27 295 029 985 | 692 |
| 14 Taxation and customs union | 107 853 652 | 548 | 120 565 947 | 564 |
| 15 Education and culture | 998 506 786 | 746 | 943 498 200 | 661 |
| 16 Press and communication | 176 866 017 | 827 | 187 460 083 | 959 |
| 17 Health and consumer protection | 572 196 805 | 917 | 480 756 056 | 946 |
| 18 Area of freedom, security and justice | 531 912 427 | 395 | 596 866 914 | 443 |
| 19 External relations | 3 709 021 071 | 2 464 | 3 332 510 399 | 2 734 |
| 20 Trade | 75 109 120 | 575 | 76 103 566 | 587 |
| 21 Development and relations with African, Caribbean and Pacific (ACP) States | 1 199 467 643 | 1 495 | 1 230 912 686 | 1 943 |
| 22 Enlargement | 1 325 001 454 | 329 | 2 002 707 239 | 570 |
| 23 Humanitarian aid | 531 374 857 | 170 | 643 832 369 | 176 |
| 24 Fight against fraud | 55 060 848 | 377 | 57 967 048 | 418 |
| 25 Commission's policy coordination and legal advice | 200 116 335 | 1 647 | 213 065 957 | 1 709 |
| 26 Administration | 685 144 546 | 3 880 | 646 475 623 | 4 037 |
| 27 Budget | 1 472 940 923 | 634 | 1 369 627 564 | 657 |
| 28 Audit | 9 451 682 | 99 | 10 746 818 | 104 |
| 29 Statistics | 128 510 736 | 765 | 131 264 213 | 797 |
| 30 Pensions | 841 776 998 | | 899 771 000 | |
| 31 Reserves | 221 000 000 | | 13 000 000 | |
| Total Commission | 107 425 330 154 | 28 857 | 113 619 912 135 | 30 676 |
| Other institutions (excluding pensions) | 2 274 730 699 | | 2 336 205 081 | |
| Grand total | 109 700 060 853 | | 115 956 117 216 | |

Source: Budget DG

⁽¹⁾ Covers both regular and support staff.

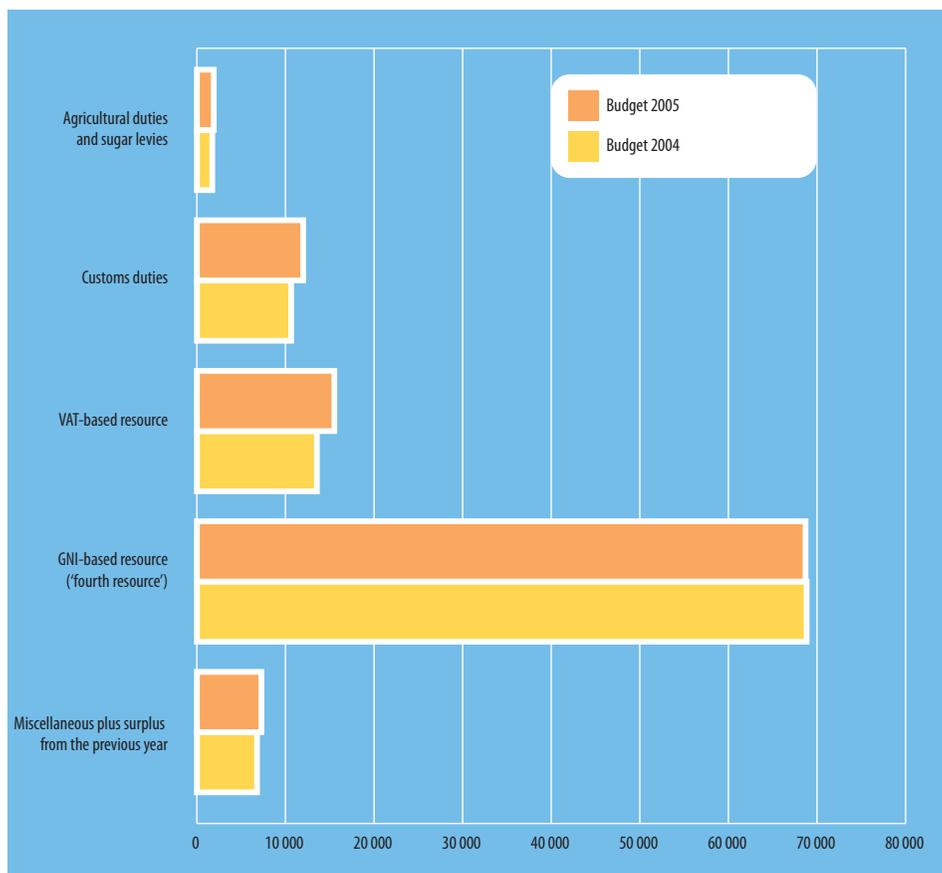
Figures by financial perspective headings, in commitment appropriations (aggregate)

| Appropriations of commitments | Budget 2004 (¹) | Financial perspective 2005 | Budget 2005 (¹) |
|--|------------------------|----------------------------|------------------------|
| | EUR | EUR | EUR |
| 1. AGRICULTURE | 45 080 785 000 | 51 439 000 000 | 49 026 450 000 |
| <i>Margin</i> | 4 224 215 000 | | 2 412 550 000 |
| ● Agricultural expenditure (excluding rural development) | 38 544 785 000 | 44 598 000 000 | 42 185 450 000 |
| ● Rural development and accompanying measures | 6 536 000 000 | 6 841 000 000 | 6 841 000 000 |
| 2. STRUCTURAL OPERATIONS | 41 030 673 000 | 42 441 000 000 | 42 420 297 444 |
| <i>Margin</i> | 4 327 000 | | 20 702 556 |
| ● Structural Funds | 35 348 673 000 | 37 247 000 000 | 37 288 364 455 |
| ● Cohesion Funds | 5 682 000 000 | 5 194 000 000 | 5 131 932 989 |
| 3. INTERNAL POLICIES | 8 705 256 754 | 9 012 000 000 | 9 150 458 408 |
| <i>Margin</i> | 16 743 246 | | - 138 458 408 |
| 4. EXTERNAL ACTION | 5 176 556 000 | 5 119 000 000 | 5 444 000 000 |
| <i>Margin</i> | - 94 556 000 | | - 325 000 000 |
| 5. ADMINISTRATION | 6 121 983 823 | 6 360 000 000 | 6 292 922 368 |
| <i>Margin</i> | 35 016 177 | | 67 077 632 |
| 6. RESERVES | 442 000 000 | 446 000 000 | 236 000 000 |
| <i>Margin</i> | 0 | | 210 000 000 |
| ● Guarantee reserve | 221 000 000 | 223 000 000 | 223 000 000 |
| ● Emergency aid reserve | 221 000 000 | 223 000 000 | 13 000 000 |
| 7. PRE-ACCESSION STRATEGY | 1 733 261 220 | 3 472 000 000 | 2 081 000 000 |
| <i>Margin</i> | 1 721 738 780 | | 1 391 000 000 |
| ○ Sapard pre-accession instrument | 226 700 000 | | 250 300 000 |
| ● ISPA pre-accession instrument | 453 300 000 | | 525 700 000 |
| ● Phare pre-accession instrument | 809 700 000 | | 898 800 000 |
| ● Turkey | 242 600 000 | | 286 200 000 |
| ● European Union Solidarity Fund | 961 220 | | 0 |
| ● Economic development of Turkish Cypriot Community | — | | 120 000 000 |
| 8. COMPENSATION | 1 409 545 056 | 1 305 000 000 | 1 304 988 996 |
| <i>Margin</i> | 454 944 | | 11 004 |
| Appropriations for commitments — Total | 109 700 060 853 | 119 594 000 000 | 115 956 117 216 |
| <i>Margin</i> | 5 907 939 147 | | 3 637 882 784 |
| Compulsory expenditure | 41 490 416 176 | | 45 078 212 878 |
| Non-compulsory expenditure | 68 209 644 677 | | 70 877 904 338 |
| Appropriations for payments — Total | 101 806 602 380 | 114 235 000 000 | 105 684 514 081 |
| <i>Margin</i> | 9 747 397 620 | | 8 550 485 919 |
| Compulsory expenditure | 41 544 750 814 | | 45 119 231 878 |
| Non-compulsory expenditure | 60 261 851 566 | | 60 565 282 203 |
| Appropriations for payments as % of GNI | 1.01 | 1.08 | 1.00 |

(¹) Amending budgets.

Source: Budget DG

Breakdown by type of revenue



| Type of revenue | Budget 2005 | | Budget 2004 | |
|---|-------------------|--------------|-------------------|--------------|
| | Million EUR | % | Million EUR | % |
| Agricultural and sugar levies | 1 913.20 | 1.8 | 1 742.48 | 1.7 |
| Customs duties | 12 030.80 | 11.4 | 10 664.40 | 10.5 |
| VAT-based resource | 15 556.05 | 14.7 | 13 579.91 | 13.3 |
| GNI-based resource ('fourth resource') | 68 884.10 | 65.2 | 69 010.24 | 67.8 |
| Miscellaneous plus surplus from the previous year | 7 299.90 | 6.9 | 6 809.58 | 6.7 |
| Total | 105 684.05 | 100.0 | 101 806.60 | 100.0 |

Source: Budget DG

European Commission

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