

# **General Report** on the Activities of the European Union

2007



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European Commission

General Report  
on the Activities of  
the European Union

2007

Brussels • Luxembourg, 2008

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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 2007, which the Commission is required to publish by Article 212 of the EC Treaty and Article 125 of the EAEC Treaty <sup>(1)</sup>.

Yours faithfully,

*Brussels, 12 February 2008*

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

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<sup>(1)</sup> 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 *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 *Annual Report on Competition Policy*.



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# Note to readers

## ***The General Report and its role as a source of information on the activities of the European Union***

For the sake of readability, the General Report concentrates exclusively on the highlights of the past year — both general trends and key policy activities, including legislative measures. From a methodological point of view, this quest for readability goes hand-in-hand with the need to take account of the wider system of information on Union activities available to the public from numerous co-existing sources, including:

- the wealth of information now available online on Europa, the 'Gateway to the European Union' ([http://europa.eu/index\\_en.htm](http://europa.eu/index_en.htm)), which can be consulted using various search criteria — activities by subject, institutions, documents or services (statistics, library, contacts, etc.);
- the frequently updated databases on the servers of the various Community institutions (e.g. Commission DG websites) or sources outside the institutions; links to these databases and references to Europa are included among the 'General references and other useful links' at the end of each section of the General Report;
- the real-time record of events contained in the *Bulletin of the European Union*; produced by the Commission in electronic form only (<http://europa.eu/bulletin/en/welcome.htm>), the Bulletin provides a detailed summary of all Community activities, direct references to official texts, and hyperlinks to the relevant information and databases; the Bulletin is designed as a monthly review but information is posted online at more frequent intervals, so that readers can learn about all the activities in a given month as and when these updates appear; the Bulletin is therefore an essential companion to the General Report, for which it is also one of the key sources of information; together they form the lynchpin of an information service for readers who want both a general overview of the European Union's activities and a tool for conducting more detailed research.

With this system of comprehensive coverage, there is no need for detailed information to be systematically reproduced in the General Report, which is concise in form and content in line with its dual role of providing a panoramic view of current events and highlighting key trends Union-wide.



# Introduction

Mid-term for the European Parliament and the Commission which took office in 2004, 2007 was also an important historical and political milestone for the European Union, in the light both of its past and of its future.

Looking back, 2007 marked the 50th anniversary of the Treaties of Rome founding the European Economic Community and the European Atomic Energy Community. Unlike the Coal and Steel Community, which was disbanded in 2002, at the end of its 50th anniversary, as provided by the Treaty of Paris, both these Communities essentially still exist, revitalised by successive amendments to the Treaties since 1957 and caught up in the momentum specific to the European Union and European Community as such. On 25 March, to mark the 50th anniversary of the Treaties of Rome, the Presidents of the European Parliament, the Council and the Commission signed the Declaration of Berlin, citing the European Union's commitment to a set of common values including fundamental rights, peace and freedom, democracy and the rule of law, and justice and solidarity. A number of Member States also issued a special two-euro coin to mark the event.

Looking forward, a new landmark was reached in 2007 with the signature in Lisbon on 13 December of a new 'amending' Treaty. The new Treaty amends the Treaty on European Union and the Treaty establishing the European Community, renamed the Treaty on the Functioning of the European Union. Steering clear of the constitutional aspects of the previous draft drawn up in 2004, the Treaty of Lisbon is designed to put in place more efficient institutional arrangements for a 27-member Union and increased democratic legitimacy, relating for example to the respective competences of and distribution of powers between the Union and the Member States, the special nature of the common foreign and security policy, and the role of the national parliaments. The new Treaty also sets out, in the form of a Charter signed by the European Parliament, the Council and the Commission, the fundamental rights of European Union citizens. The successive Presidencies in 2007 played a pivotal role in the Treaty reform process: on the initiative of the German Presidency, the June European Council agreed on a very detailed mandate for the Intergovernmental Conference which opened in July; the technical discussions continued until October, when political agreement was reached under the leadership of the Portuguese Presidency. Hungary became the first

Member State to ratify the Treaty, a few days after it had been signed. The ambition expressed by the European Council is to see the entire ratification process completed before the European Parliament elections in June 2009.

The signing of the new Treaty reinforces the capacity for action of the enlarged Union — particularly timely following the accession of Bulgaria and Romania to the European Union on 1 January. This new enlargement represented the culmination of a process launched some 10 years previously, when all the countries of central and eastern Europe had applied to join the Union. It also involved the extension of the Union's external borders to a new maritime frontier, leading the Commission in April to recommend enhancing regional cooperation as part of a 'Black Sea synergy'. This marked another step forward in the development of the European neighbourhood policy, other developments being an effective start to programming of the European Neighbourhood and Partnership Instrument created in 2006 and the presentation by the Commission of new proposals for strengthening the policy in the immediate future.

As for prospective enlargements, accession negotiations continued with the candidate countries and closer links were forged with the potential candidate countries. More generally, the main challenges for 2007–08 were analysed in a communication adopted by the Commission on 6 November. Following the renewed consensus on enlargement endorsed by the European Council in December 2006, the Commission communication outlines a strategy for meeting the challenges in question, in particular as regards State building, and administrative and judicial reforms.

The year 2007 also saw a number of internal 'enlargements'. For example, on 1 January Slovenia joined the euro area, becoming the 13th Member State to use the single currency. Preparations for Cyprus and Malta to join the euro area as of 1 January 2008 were also completed successfully, while over the year as a whole the euro continued to strengthen against other currencies. On another front — the free movement of persons — the Schengen area was enlarged on 21 December with nine new countries acceding to this area without internal borders. Passport-free travel is now a reality for 22 of the EU countries.

\* \* \*

In 2007 the European Union focused on three major challenges.

First, the Union made quite clear its determination to play a key role in facing up to the problems of climate change, reflecting public concern about the future of the planet. In January the Commission outlined the way ahead for 2020 and beyond, with a specific objective: limiting global warming to two degrees Celsius. Its proposals subsequently received the support of the other Community institutions. In June it published a Green Paper outlining the options for Union action as regards adapting

to climate change in Europe. And in September it advocated a global climate change alliance between the European Union and poor developing countries.

Second, following on from initiatives on which work had started in preceding years, priority was given in 2007 to developing a European energy policy. In a communication presented on 10 January, in parallel with the one on climate change, the Commission proposed an integrated approach: establishing a European energy policy with ambitious objectives for combating climate change. This approach was endorsed by the spring European Council under the German Presidency, which also hosted the G8 summit in Heiligendamm, which likewise delivered a strong message in response to the climate change challenge. The Commission went on to complete its contribution to defining the European energy policy: in September it adopted a package of legislative proposals with the object of completing the internal market for electricity and natural gas; and in November it proposed a European strategic energy technology plan (SET-Plan) with a view to helping pave the way, by means of research and the use of renewable energies, to a low-carbon future.

Lastly, the third key challenge on which the Union focused in 2007 was globalisation, a recurring theme. This was a topic on which the Commission invited the Heads of State or Government to reflect at their informal meeting in October, submitting a communication with the revealing title of 'The European interest: succeeding in the age of globalisation'. This concern was also taken up by the December European Council, which adopted a declaration on globalisation stressing in particular that the Union's aim is to shape globalisation in the interests of all its citizens and on the basis of its common values and principles. At the same time 2007 saw the first decisions on payments from the European Globalisation Adjustment Fund, set up in 2006 to assist workers made redundant as a result of a company relocation with re-entering the labour market.

Also largely in response to the challenge of globalisation, 2007 saw new developments with respect to the Lisbon strategy, relaunched in 2005. To take just a few specific examples, the Commission established a link between pursuing the Lisbon strategy for growth and jobs and a number of other objectives, such as developing e-skills for the 21st century, consolidating and extending the European research area and implementing an integrated 'flexicurity' approach. More generally, thanks to a mid-term review of the Lisbon strategy, in December the Commission set out a series of guidelines and proposed a new programme for the period 2008–10.

The various institutions have come to regard small-business policy as one of the pillars of the renewed Lisbon partnership. In an interim report adopted on 4 October, the Commission highlighted the key role of small and medium-sized enterprises. Concern for businesses, and particularly small businesses, is also reflected in another project that has been a Union priority in recent years: the desire for better regulation. In 2007 the institutions focused in particular on reducing the administrative burden on businesses. In January the Commission presented an action programme to this

end, with the specific objective of reducing the burden resulting from legislation in force in the European Union by 25 % by 2012. This initiative received the support of the Council and the European Council. The independent Impact Assessment Board, answerable to the President of the Commission, came into operation in early 2007 and in the course of the year issued some 100 impact analyses on Commission initiatives with a view to improving quality and facilitating legislative debate. The Commission also pressed on assiduously with the implementation of its rolling programme for the simplification of the Community *acquis*.

In broader terms, setting its sights resolutely on the longer term (2020–30) the December European Council established an independent reflection group chaired by Mr González, former Prime Minister of Spain, to help the Union anticipate and meet long-term challenges more effectively. Taking as its starting point the challenges set out in the Berlin Declaration (see above), the group has been charged with identifying the key issues and developments the Union is likely to face and to analyse how these might be addressed. It will conduct its reflections within the framework set out in the Lisbon Treaty.

\* \* \*

Besides focusing on a number of major challenges, the European Union also made progress in 2007 on the numerous ongoing initiatives that form part of its vast range of internal and external policies.

As announced in 2006, it reviewed a number of areas regarded as exemplary in terms of public expectations. For example, in the context of the spring European Council, the Commission conducted a social reality stocktaking exercise and proposed exploring new approaches for the single market. Both these review exercises produced concrete results in the form of two new Commission initiatives adopted on 20 November: a communication 'A single market for 21st century Europe' presenting an operational set of initiatives to reposition the single market, accompanied by a paper on services of general interest; and a communication 'Opportunities, access and solidarity: towards a new social vision for 21st century Europe' stressing the need to invest in a number of areas such as youth, culture and mobility, which are mainly the responsibility of the Member States. Also on 20 November the Commission took the first steps towards another forward-looking reflection exercise by adopting a communication 'Preparing for the "health check" of the CAP reform'. In September it launched a wide-ranging consultation with a view to stimulating an open debate on budget reform. Moreover, the financial framework for 2007–13 saw its first specific commitments made in the fields of research, justice, and economic and social cohesion. Following fruitful interinstitutional cooperation, it was also revised for the first time in December in order to take account of the agreement to provide Community funding for the European global navigation satellite system programmes (EGNOS and Galileo), thereby ensuring that this promising project for European technology could continue.

Progress on internal policies in 2007 was made essentially on two fronts:

- first, continued unification of markets, as witnessed, for example, by Commission initiatives to promote the internal market for goods as a cornerstone of Europe's competitiveness and to establish a common framework for the marketing of products, the adoption by the European Parliament and the Council of the third railway package, and proposals for legislation with a view to completing the internal market for electricity and natural gas;
- second, the emergence of new approaches or measures in connection with the quality of life. Making 2007 the European Year of Equal Opportunities for All sent out a strong signal in this respect, as did the creation of the European Union Agency for Fundamental Rights. As regards public safety, in November the Commission proposed a package of measures designed to combat terrorism more effectively. Reforms undertaken in the fruit and vegetables sector not only continued the drive launched in 2003 to make European agriculture more competitive and more environmentally-friendly but also addressed health concerns with a view to encouraging the consumption of products necessary to good health. This overlapping of policy areas was also evident in the link that the Commission established between demography and technical progress in its June communication 'Ageing well in the information society', which sets out an action plan on information and communication technologies and ageing. Concerns relating to the quality of life were also reflected in the Union's consumer policy strategy for 2007–13, with its three-fold objective of empowering consumers, enhancing their welfare and effectively protecting them, and in a flagship measure — the regulation adopted on 27 June by the European Parliament and the Council on roaming on public mobile networks. By introducing a eurotariff, the regulation is designed to ensure that mobile network users do not pay excessive prices for roaming services when making or receiving calls while travelling within the European Union.

As regards its external policies, in 2007 the European Union continued to pursue a wide range of activities with a view to assuming a role as a leading partner on the world stage.

Now a traditional feature of external policy, the practice of holding regular summits with major industrialised or emerging countries such as the United States, Japan, Russia, China and India provided an opportunity to take stock of bilateral relations, debate major international issues and, in some cases, conclude political, economic or technical agreements. At the G8 summit held under the German Presidency in June, the launching of the 'Heiligendamm process' enabled the defining of a new form of dialogue with a number of countries, notably China and India. Furthermore, in July the first ever EU–Brazil summit was held with a view to concluding a comprehensive strategic partnership.

Whether through diplomatic channels or on the ground by way of special representatives or police or peacekeeping missions, the European Union also continued to concern itself closely with the situation in sensitive areas or countries such as Afghanistan, Chad, Iran, Iraq, Kosovo, Lebanon, Myanmar (Burma), Pakistan, Sudan and the Middle East. It was also asked on numerous occasions to provide electoral observation missions to a number of continents.

However, two specific facets of external relations which saw important developments in 2007 also deserve a mention: the promotion of a competitive and open Europe and the affirmation of Europe as a contributor to international solidarity.

First, promoting a competitive and open Europe essentially involved delivering internal policies with a coherent external dimension. For example, in air transport, an important 'open skies' agreement was concluded with the United States in April. A forerunner of similar agreements with other parts of the world, it allowed European airlines, and US airlines likewise, to provide passenger flights between any point in the United States and any other point on European Union territory; a similar arrangement applies to air freight. As regards consolidating the area of freedom, security and justice, efforts were made to apply the global approach to migration to the eastern and south-eastern regions neighbouring the European Union and to establish mobility partnerships between the European Union and non-member countries. At the end of the year, a number of agreements on short-stay visas and the readmission of illegal residents were concluded with several eastern European and western Balkan countries. Lastly, as regards external trade, in April in connection with the Lisbon strategy, the Commission proposed establishing a stronger partnership to improve access to foreign markets for European exporters.

Second, demonstrating Europe's support for international solidarity involved continuing, establishing or reviving a number of international partnerships with various regions of the world. For example, 2007 saw the 30th anniversary of ever-closer collaboration with the Association of Southeast Asian Nations and the launch of a partnership with central Asia. A strategic partnership with Africa was also relaunched at the EU–Africa summit held in Lisbon in December. Lastly, in the field of humanitarian aid, a key step was taken in 2007 with the signature by the European Parliament, the Council and the Commission of the statement on the European consensus, confirming the principles and best practices for humanitarian action aimed at promoting a coordinated approach with a view to maximising the Union's contribution to international humanitarian aid. This initiative also reflects a concern for a consistent approach in relations with developing countries, in so far as a European consensus had previously been adopted by the three institutions on the subject of development policy.

However wide-ranging and important, even complex, the activities of the European Union may seem, they cannot be dissociated, 50 years after the signing of the founding Treaties, from the close involvement of all stakeholders in European integration, whether they be the initiators or the beneficiaries. That is why, following on from initiatives designed or implemented in preceding years, the desire for stakeholder 'ownership' of policies was a core feature of the activities of the institutions in 2007. Several public consultations were organised on topics as diverse as enlargement, the family and immigration. The consultation launched in 2006 on a future maritime policy for the European Union is a very good example of this type of exercise, from which the Commission drew conclusions in October, proposing a new maritime strategy on the basis of some 500 contributions and more than 250 events. Also in October, and on a more general front, the Commission defined a partnership approach to communication, with the aim of improving citizens' access to information, increasing their understanding of the impact of Community policies at European, national and local level and involving them in an ongoing dialogue on European issues. This initiative was particularly well-timed, with the Eurobarometer surveys showing that trust in the European institutions rose significantly in 2007 and is now at the same level as in the 1980s. This new trend, shared by all the institutions, each in its own way, marks a turning point in the way the 'ownership' referred to above is destined to become part of the process of European integration on the ground. It takes on particular significance in the light of the current process of ratifying the Lisbon Treaty, intended as a new starting point for a Europe strengthened by the achievements of the last 50 years and looking resolutely to the future.



## Chapter I

# General policy framework

## Section 1

### Governance and better regulation

#### **Background**

*In 2005 a new impetus was given to the political objective of improving the quality of European legislation by placing this issue at the heart of the Lisbon strategy for growth and jobs. The Commission, in particular, revised the action plan for improving the regulatory environment which it had launched in 2002 and agreed on a series of new approaches aimed at making the achievements more tangible. The success of this initiative, however, remains conditional on the objective being endorsed by all the European Union institutions involved in the legislative process and by the Member States. Better regulation is a joint responsibility. In 2006 the Commission carried out a strategic analysis of the progress achieved and the challenges that still have to be overcome if further advances are to be made in this area. It also strengthened the existing control mechanisms by setting up an Impact Assessment Board answerable to the President of the Commission.*

#### **Better regulation**

The progress made in recent years with the strategy to create a modern and effective regulatory culture throughout Europe was consolidated in 2007. The Commission used the experience gained from the measures taken to improve legislation in order to refine its approach further and satisfy the demands of European citizens and economic operators for a simple and accessible regulatory framework.

The priorities for 2007 were to implement the simplification programme, monitor the quality of impact analyses, improve compliance with Community law and launch an ambitious strategy aimed at reducing the administrative burden.

## ***Policymaking***

The tools to ensure the application of high-quality legislation were further consolidated in 2007. All new Commission initiatives were prepared with the help of an integrated impact assessment and consultations with experts and stakeholders. The Impact Assessment Board came into operation, charged with providing qualitative support and monitoring the quality of Commission impact assessments. In 2007 the Board issued 112 opinions on impact assessments accompanying initiatives presented by the Commission. In addition, following the completion of an external evaluation of the Commission's impact assessment system, a roadmap for revising its current impact assessment guidelines was drawn up, with due regard for the principles of subsidiarity and proportionality.

As a result, the strategic and priority initiatives presented under the Commission's legislative and work programme for 2007 were the subject of an impact assessment. Public consultations were held as part of the preparatory process, to give ordinary citizens and all interested parties an opportunity to contribute to the formulation of Community policies and programmes.

Reliable and coherent statistical information about the economic, social and environmental situation of the European Union and its constituent bodies at national and regional level are needed for implementing, monitoring and evaluating Community policies. To this end the European Parliament and the Council adopted a decision setting up a Community statistical programme for the period 2008–12 <sup>(1)</sup> on 11 December.

## ***Modernisation of existing legislation***

Good progress was made with updating the Commission's ambitious rolling programme of simplification. Under this multiannual programme aimed at reducing the burden on economic operators and citizens, the Commission presented 44 new simplification initiatives in 2007. These included important simplification initiatives relating to legislation in the areas of agriculture, the environment, the labour market and product regulation. The revision of Community insurance law (Solvency II) <sup>(2)</sup> and the repeal of the GSM directive <sup>(3)</sup>, in particular, will have a direct impact on businesses and individuals.

The Commission presented several initiatives aimed at reducing the volume of the *acquis* and improving the accessibility and implementation of Community legislation, as provided for in its indicative codification programme, which was relaunched in 2006 in all the official languages, including the new ones. Declarations of obsolescence

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<sup>(1)</sup> Decision 1578/2007/EC (OJ L 344, 28.12.2007).

<sup>(2)</sup> See 'Review and progress of the internal market' in Chapter II, Section 2, of this Report.

<sup>(3)</sup> See 'Information society and media' in Chapter II, Section 2, of this Report.

were used to repeal legal acts that had become obsolete. Consolidated texts of the Community *acquis* were also published on the Internet on EUR-Lex and will gradually become available in all the official languages.

As a result of the 2006 screening of proposals adopted by the Commission in 2004 and still pending before the legislator, it withdrew 10 of its proposals. It has also included this annual exercise of withdrawing proposals in its 2008 legislative and work programme.

### **The application of Community law**

In its communication of 5 September 'A Europe of results — Applying Community law' <sup>(1)</sup>, the Commission set out its policy for ensuring the correct application of Community law by taking steps to:

- prevent infringements by incorporating aspects of transposition and application more effectively into the preparation of legislative proposals;
- pilot a new method of working with the Member States to find constructive and quick solutions to problems raised by citizens and businesses;
- improve its working methods, for example by giving priority to the management of infringement proceedings and by introducing more frequent decision-taking in infringement cases;
- increase transparency for the public as regards the stages in its work on infringements, the transposition of directives by the Member States and the communication by the Member States of tables showing the correlation between the articles in the national implementing measures and the articles of the directive being implemented.

The Commission has agreed to alter its annual report on monitoring the application of Community law so as to provide a more strategic overview of its priorities and proposed actions.

### **Reducing the administrative burden**

On 24 January the Commission presented an action programme to reduce the administrative burden on companies resulting from legislation in force in the European Union by 25 % by 2012 <sup>(2)</sup>. This will focus on the 13 sectors thought to be responsible for most of the administrative burden. The work of mapping and measuring the costs started at the beginning of the summer and should be completed by the end of 2008. At the same time, the Commission presented legislative proposals and draft executive measures aimed at reducing the administrative burden in the short term. In this way,

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<sup>(1)</sup> COM(2007) 502 (OJ C 4, 9.1.2008).

<sup>(2)</sup> COM(2007) 23 (OJ C 138, 22.6.2007).

10 quick measures liable to produce significant results by making only minor changes to current legislation were carried through in 2007.

The March European Council recognised the progress made in improving the regulatory environment in 2006 and welcomed the Commission action programme to reduce the administrative burden. It called on each Member State to set a target for reducing the burden resulting from purely national requirements. It also asked the Commission regularly to update its simplification programme and urged the Council to pay particular attention to proposals in this area. The action programme received the support of the European Parliament in a resolution adopted on 10 July.

On 19 July, following a communication on reducing the statistical burden on businesses <sup>(1)</sup>, the Commission adopted a proposal for a programme to modernise European enterprise and trade statistics (MEETS) <sup>(2)</sup>. The objectives of the MEETS programme are as follows:

- to develop target sets of indicators and review priorities;
- to achieve a streamlined framework of business-related statistics;
- to support the implementation of a more efficient way of collecting data;
- to modernise and simplify statistics on trade in goods between Member States (Intrastat).

On 31 August the Commission decided to set up a high-level group on reducing the administrative burden, composed of independent stakeholders. The Commission appointed Mr Stoiber, former Minister-President of Bavaria, as its chairman.

On 21 September the Commission officially launched the online consultation service on reducing the administrative burden <sup>(3)</sup>. This new site will allow business leaders to suggest how this could be achieved.

## **Subsidiarity and proportionality**

On 6 June the Commission adopted its 14th annual report 'Better lawmaking 2006' <sup>(4)</sup>, pursuant to Article 9 of the protocol on the application of the principles of subsidiarity and proportionality. Reflecting the European Union's desire to pay more attention to improving the regulatory environment and, in particular, the quality and accessibility of Community legislation, the Commission listed the main tasks to be tackled: improving the quality of impact assessments and using them in the preparation

<sup>(1)</sup> COM(2006) 693 (OJ C 78, 11.4.2007).

<sup>(2)</sup> COM(2007) 433 (OJ C 191, 17.8.2007).

<sup>(3)</sup> [http://ec.europa.eu/enterprise/admin-burdens-reduction/index\\_en.htm](http://ec.europa.eu/enterprise/admin-burdens-reduction/index_en.htm).

<sup>(4)</sup> COM(2007) 286 (OJ C 191, 17.8.2007).

and adoption of legislation; better assessment of the administrative burden; and eliminating unnecessary requirements in European and national legislation.

In addition, the Commission continued to use impact assessments and explanatory memoranda to explain how the measures it proposed were consistent with the principles of subsidiarity and proportionality.

## Transparency

On 21 March the Commission presented the results<sup>(1)</sup> of the public consultation launched as part of the 'European transparency initiative' Green Paper<sup>(2)</sup>. In the area of interest representation and pressure groups, the Commission plans to use a voluntary register and a standard template for Internet consultations. The register should become operational in spring 2008. The Commission wants to tighten up the minimum standards for its public consultations, for example through proper staff training, the sharing of best practice between departments and more coherence between consultations. The inclusion in the legislation of provisions on the publication of information about the beneficiaries of Community funding is seen by the Commission as only the first stage in what will necessarily be a complex undertaking, requiring a step-by-step approach.

The Committee of the Regions welcomed the Green Paper at its session in February<sup>(3)</sup>, but urged the Commission to take greater account of the local and regional dimension of this policy.

On 18 April the Commission launched a public consultation and adopted a Green Paper<sup>(4)</sup> on the application of Regulation (EC) No 1049/2001 on public access to documents held by institutions of the European Community<sup>(5)</sup>. After reviewing the application of the regulation, the Commission is now seeking the public's opinion on questions such as improving public registers and making more documents available online, harmonising the rules on public access to documents with the specific rules on access to environmental information laid down by the Aarhus Convention, clarifying the balance to be struck between transparency on the one hand and the protection of personal data and economic and business interests on the other.

The Council adopted its annual report on the implementation of Regulation (EC) No 1049/2001 on 23 April. This shows that in 2006 the Council achieved the objectives laid down by the Treaties and the regulation.

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(1) COM(2007) 127 (OJ C 181, 3.8.2007).

(2) COM(2006) 194 (OJ C 151, 29.6.2006).

(3) OJ C 146, 30.6.2007.

(4) COM(2007) 185 (OJ C 181, 3.8.2007).

(5) OJ L 145, 31.5.2001.

## Interinstitutional cooperation

A joint declaration by the European Parliament, the Council and the Commission on practical arrangements for the co-decision procedure was published in the Official Journal on 30 June <sup>(1)</sup>, clarifying the working methods for the co-decision procedure and the practical arrangements for implementing them at each stage of the process. This complements the interinstitutional agreement on better lawmaking, and in particular the provisions relating to the co-decision procedure <sup>(2)</sup>. The institutions undertake to respect these commitments in line with the principles of transparency, accountability and efficiency, paying particular attention to making progress on simplification proposals while respecting the Community *acquis*. The signatories to the declaration also commend the system of tripartite meetings ('trialogues'), which has demonstrated its vitality and flexibility.

Between June and September Parliament adopted a series of resolutions on improving legislation, expressing its support for the Commission's better lawmaking initiative. It endorsed the objectives of the Commission action programme to reduce the administrative burden, agreed that there was a need for quick actions and supported the creation of a group of independent experts to implement the programme. In the area of simplification, Parliament welcomed the Commission efforts to step up the codification of the Community *acquis* and expressed the view that the simplification programme should be accompanied by equivalent national initiatives. Parliament proposed the conclusion of an interinstitutional agreement on an accelerated working method for all simplification measures. It also underlined the importance of the system of impact assessments used by the Commission to ensure the quality of legislation. It called on the Commission to evaluate the added value of the Impact Assessment Board's assessment procedures before the end of 2008 and asked it to develop indicators for this purpose, drawing on the experience of international organisations and the Member States. Parliament also suggested that the Commission agree the arrangements for consulting it before adopting non-binding legal instruments and ensure continuous evaluation of the performance of co-regulation and self-regulation.

The Commission welcomed Parliament's support and stressed that the institutions and the Member States must share responsibility if practical results are to be attained. It also noted that Parliament had amended its rules of procedure to adapt them to the requirements of the simplification of Community legislation.

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<sup>(1)</sup> OJ C 145, 30.6.2007.

<sup>(2)</sup> OJ C 321, 31.12.2003.

## Governance

On 27 June the Commission proposed the amendment <sup>(1)</sup> of Regulation (EC) No 2004/2003 on the regulations governing political parties at European level and the rules regarding their funding <sup>(2)</sup>. The proposal seeks to alter the rules on the funding of political parties at European level, so as to give them more flexibility to manage their annual budgets, introduce provisions on the creation and funding of political foundations affiliated to European-level political parties, and allow European parties to use Community budget appropriations to fund electoral campaigns for elections to the European Parliament. The new regulation was adopted by Parliament and the Council on 18 December <sup>(3)</sup>.

On 16 October the Commission adopted a proposal <sup>(4)</sup> to revise the basic legal framework governing the production of statistics at European level, the aim being to adapt it to the current situation and improve it in order to be better able to respond to future changes and challenges. This initiative is designed to enhance and supplement statistical governance. Similarly, in 2007 the various institutions continued to work on proposals to set up a European Statistical Governance Advisory Board <sup>(5)</sup> and a European Advisory Committee on Community Statistical Information Policy <sup>(6)</sup>.

### **General references and other useful links**

- Better regulation:  
[http://ec.europa.eu/governance/better\\_regulation/index\\_en.htm](http://ec.europa.eu/governance/better_regulation/index_en.htm)
- Impact assessment:  
[http://ec.europa.eu/governance/impact/index\\_en.htm](http://ec.europa.eu/governance/impact/index_en.htm)
- Civil society:  
[http://ec.europa.eu/civil\\_society/index\\_en.htm](http://ec.europa.eu/civil_society/index_en.htm)
- EUR-Lex:  
<http://eur-lex.europa.eu/en/index.htm>
- Reducing the administrative burdens:  
[http://ec.europa.eu/enterprise/admin-burdens-reduction/index\\_en.htm](http://ec.europa.eu/enterprise/admin-burdens-reduction/index_en.htm)

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<sup>(1)</sup> COM(2007) 364 (OJ C 246, 20.10.2007).

<sup>(2)</sup> OJ L 297, 15.11.2003.

<sup>(3)</sup> Regulation (EC) No 1524/2007 (OJ L 343, 27.12.2007).

<sup>(4)</sup> COM(2007) 625 (OJ C 9, 15.1.2008).

<sup>(5)</sup> COM(2006) 599 (OJ C 332, 30.12.2006).

<sup>(6)</sup> COM(2006) 653 (OJ C 78, 11.4.2007).

*Section 2*

## Communication strategy

Aware of the need to increase the involvement of citizens in European political life, which took on its full significance during the discussions on the future of Europe, the EU institutions set themselves the objective of improving communication with citizens. The Commission therefore included communication among its strategic objectives.

On 3 October the Commission adopted a communication recommending applying a partnership approach to communication and increasing coherence and synergy between the activities of the Member States and the various institutions <sup>(1)</sup>. The aim is to improve citizens' access to information, to increase their understanding of the European, national and local dimensions of Community policies and to include them in a constant dialogue on European issues. To do this, the Commission suggests mobilising, as communication channels, the national education systems and the European political parties, whose role is to lead and structure public debate on European issues.

The Commission communication proposes the following:

- an interinstitutional agreement to provide an appropriate framework for better cooperation on the EU communication process, while respecting the autonomy of the institutions and Member States;
- voluntary management partnerships with Member States;
- development of the network of European public spaces in the representations;
- identification of aspects of school education where joint action at EU level could support Member States;
- strengthening Eurobarometer;
- implementation of pilot information networks.

To improve direct communication with citizens, the Commission has also set up a network of field offices for multilingualism in its representations in the Member States. They present the messages of the European Union in clear language, understandable by everyone, and adapt the information to the local situation and to local needs.

The Commission's overall communication strategy comprises first of all an internal element, which was defined in a communication adopted on 4 July <sup>(2)</sup>. This recognises the importance of internal communication and staff engagement for ensuring

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<sup>(1)</sup> COM(2007) 568 (OJ C 9, 15.1.2008).

<sup>(2)</sup> SEC(2007) 912.

that the Commission receives significant benefits when it communicates with the public. Communication with staff is essential for ensuring that the latter are well informed and that they receive the necessary support in their contact with citizens and stakeholders. The communication also aims to further enhance the link between internal communication and external communication, so that they are coherent and mutually reinforcing. It establishes an action plan at Commission level to further improve internal communication and staff engagement and clarifies the remit and reference framework for staff whose work involves communicating with the public.

### **General references and other useful links**

- Directorate-General for Communication (European Commission):  
[http://ec.europa.eu/dgs/communication/index\\_en.htm](http://ec.europa.eu/dgs/communication/index_en.htm)
- Information sources and contact points for the European Union  
[http://europa.eu/geninfo/info/index\\_en.htm](http://europa.eu/geninfo/info/index_en.htm)

### *Section 3*

## **The future of Europe**

### **The Berlin Declaration**

On 25 March, on the occasion of the 50th anniversary of the signature of the Treaties of Rome in 1957, the Presidents of the European Parliament, the Council and the Commission signed the Berlin Declaration.

This solemn declaration highlights the contribution made by European unification to peace and prosperity and the part it has played in creating a sense of community and overcoming differences. It stresses that, for the European Union, the individual is paramount, and cites the Union's commitment to a set of common values including fundamental rights, peace and freedom, democracy and the rule of law, mutual respect and shared responsibility, prosperity and security, tolerance and participation, justice and solidarity. The Union's role in protecting the identities and diverse traditions of the Member States is also highlighted, as is the variety of its languages, cultures and regions.

For the authors of the declaration, the European Union is also the response to a number of major challenges which do not stop at national borders. The European model is a reference for combining economic success and social responsibility, and the single market and the euro are what enable Europe to confront an increasingly interdependent global economy. Europe's wealth lies in the knowledge and ability of

its people; this is what constitutes the key to growth, employment and social cohesion. Other challenges facing Europe include the fight against terrorism and organised crime, the peaceful resolution of conflicts, promoting development in the world and the need to make progress in the field of energy policy and climate protection.

The declaration closes with an expression of conviction that the European Union will continue to thrive both on openness and on the will of its Member States to consolidate its internal development, a commitment to continually renew the political shape of Europe in keeping with the times, and a reiteration of unity in the aim to place the European Union on a renewed common basis before the European Parliament elections in 2009.

In broader terms, setting its sights resolutely on the longer term (2020–30) the December European Council established an independent reflection group chaired by Mr González, former Prime Minister of Spain, to help the Union anticipate and meet long-term challenges more effectively. Taking as its starting point the challenges set out in the Berlin Declaration, the group has been charged with identifying the key issues and developments the Union is likely to face and to analyse how these might be addressed. It will conduct its reflections within the framework set out in the Lisbon Treaty.

## Reform of the Treaties

### Background

*Signed in Rome on 29 October 2004 by the Heads of State or Government of the European Union, the Treaty establishing a Constitution for Europe has been submitted for ratification in accordance with the respective constitutional procedures of all the Member States. The negative outcome of the referendums in France and the Netherlands in 2005 led the European Council of June 2005 to launch a 'period of reflection' designed to encourage a broad debate on the future of the Union. In October 2005 the Commission presented its own Plan D for democracy, dialogue and debate on the future of Europe, proposing new ways of involving citizens and helping them take ownership of Community policies, which in the process would become easier for them to understand. Given the clear need to reform the European Union and its Treaties, the success of the period of dialogue and reflection led to a common desire for a new start, beginning with the opening of negotiations on a new Treaty for the Union amending the Treaty on European Union and the Treaty establishing the European Community.*

After 2005, which had seen a slowdown in the process of Union reform following the 'no' votes in the referendums on the Treaty establishing a Constitution for Europe, in France and the Netherlands, and 2006, which had been largely devoted to reflection on the future of Europe, 2007 marked a major turning point. The main focus of this process was the new Intergovernmental Conference (IGC) charged with the task of drawing up a Treaty amending the existing Treaties.

The ground had already been prepared before the IGC began its work with the tabling of a number of texts including a report by the German Presidency to the European Council, a Committee of the Regions own-initiative opinion on relaunching the process of reforming the European Union <sup>(1)</sup> adopted on 6 June and a European Parliament resolution on the roadmap for the Union's constitutional process adopted on 7 June.

At its meeting of 21 and 22 June the European Council decided to convene an Intergovernmental Conference and asked the incoming Portuguese Presidency to draw up a draft Treaty text for submission to the IGC as soon as it opened. The European Council agreed on a detailed mandate for the IGC, annexed to its conclusions, in which it made a number of general observations and spelled out the amendments to be made to the Treaty on European Union and the Treaty establishing the European Community. The IGC was to complete its work as quickly as possible, and in any case before the end of 2007, so as to allow for sufficient time to ratify the resulting Treaty before the European Parliament elections in June 2009.

On 10 July the Commission adopted its opinion on the convening of the IGC in a communication looking at how a reform Treaty could reflect the demands currently facing the European Union <sup>(2)</sup>. The Commission welcomed the convening of the IGC, gave its unreserved support to the mandate agreed by the European Council, and undertook to contribute to its success.

In a resolution adopted on 11 July the European Parliament expressed a favourable opinion on the convening of the IGC and welcomed the efforts deployed by the German Presidency. It welcomed the degree of precision of the mandate and the tight timetable for conclusion of the IGC, and called on the Member States not to retreat from the commitments to which they had subscribed. But it reserved the right to make concrete proposals to the IGC on specific items within the scope of the mandate and stated that it would respond in due time to the invitation made by the European Council to deal with the issue of its own composition.

Following the favourable opinion delivered by the Council on 16 July, the IGC officially opened in Brussels on 23 July. The Council stressed that the IGC would carry out its work in accordance with the mandate set out in the European Council Presidency conclusions. The foreign ministers of the 27 Member States of the Union were present at the official opening, as were Mr Barroso, President of the Commission, and three representatives of the European Parliament.

The Presidency presented a draft Treaty amending the existing Treaties, which was examined from July until October by a group of legal experts from the Member States, the Commission and Parliament.

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<sup>(1)</sup> OJ C 197, 24.8.2007.

<sup>(2)</sup> COM(2007) 412 (OJ C 246, 20.10.2007).

The foreign ministers met on 7 and 8 September in Viano do Castelo (Portugal) and on 15 October in Luxembourg to review the progress of the IGC negotiations.

On conclusion of this work the IGC was able to reach agreement on the Treaty amending the Treaty on European Union and the Treaty establishing the European Community at the meeting of Heads of State or Government held in Lisbon on 18 October.

The Treaty was signed in Lisbon (at the Jeronimo Monastery) on 13 December. The President of the European Commission, Mr Barroso, the President of the European Parliament, Mr Pöttering, and the President of the European Council, Mr Sócrates, each delivered a speech welcoming the signing of the Treaty. On the previous day, the three Presidents had signed and formally proclaimed the Charter of Fundamental Rights <sup>(1)</sup> in an official ceremony at the European Parliament in Strasbourg.

The Lisbon Treaty must now be ratified in the 27 Member States in accordance with their respective constitutional procedures. On 17 December Hungary became the first Member State to complete the ratification process.

The Lisbon Treaty is scheduled to enter into force on 1 January 2009.

## A citizens' agenda

### Background

*In May 2006 the Commission presented 'A citizens' agenda' <sup>(2)</sup> based on an initial review of the discussions on the future of Europe launched in 2005. Among the practical measures for addressing the expectations of European Union citizens and reinvigorating their support for the European project, the Commission proposed carrying out a fundamental review of the single market and taking comprehensive stock of the reality of European society. This approach was welcomed by the European Council in June 2006.*

On 20 November the Commission adopted a set of initiatives <sup>(3)</sup> designed to transform its citizens' agenda into a package of coherent measures. This package, underpinned by a strong social and environmental dimension, is based on wide-ranging consultations and follows on from the 2004 White Paper on services of general interest <sup>(4)</sup> and the 2006 communication on social services of general interest <sup>(5)</sup>.

<sup>(1)</sup> OJ C 303, 14.12.2007.

<sup>(2)</sup> COM(2006) 211 (OJ C 176, 28.7.2006).

<sup>(3)</sup> COM(2007) 724, COM(2007) 725 and COM(2007) 726.

<sup>(4)</sup> COM(2004) 374.

<sup>(5)</sup> COM(2006) 177 (OJ C 151, 29.6.2006).

The review of the single market and the European social reality stocktaking are discussed in Chapter II, Section 2, and Chapter III, Section 1, of this Report.

In the broader context of dialogue with the public, the European Economic and Social Committee organised a conference on the future of Europe on 27 and 28 October, to which it invited representatives of civil society, the European institutions and the national economic and social councils. The topics discussed included democratic legitimacy, participation by civil society, citizens' rights, and European Union policies from the point of view of the draft reform Treaty.

Parliament also organised its first Citizens' Agora event on 8 and 9 November. The meeting brought together representatives of the European institutions and of civil society to discuss the future of Europe. Five workshops concentrated on the tasks of the European Union, new rights and instruments, external relations, and relations between the institutions and civil society.

### ***General references and other useful links***

- Fiftieth anniversary of the European Union:  
[http://europa.eu/50/index\\_en.htm](http://europa.eu/50/index_en.htm)
- Declaration of Berlin:  
[http://ec.europa.eu/news/eu\\_explained/070326\\_1\\_en.htm](http://ec.europa.eu/news/eu_explained/070326_1_en.htm)  
[http://europa.eu/50/docs/berlin\\_declaration\\_en.pdf](http://europa.eu/50/docs/berlin_declaration_en.pdf)
- 2007 Intergovernmental Conference:  
[http://www.consilium.europa.eu/cms3\\_fo/showPage.asp?id=1297&lang=en](http://www.consilium.europa.eu/cms3_fo/showPage.asp?id=1297&lang=en)
- Draft amending Treaty:  
[http://consilium.europa.eu/cms3\\_fo/showPage.asp?lang=en&id=1317](http://consilium.europa.eu/cms3_fo/showPage.asp?lang=en&id=1317)
- Treaty of Lisbon:  
[http://europa.eu/lisbon\\_treaty/index\\_en.htm](http://europa.eu/lisbon_treaty/index_en.htm)
- Citizens' agenda:  
[http://ec.europa.eu/citizens\\_agenda/index\\_en.htm](http://ec.europa.eu/citizens_agenda/index_en.htm)
- Citizens' Agora:  
<http://www.europarl.europa.eu/parliament/public/staticDisplay.do?language=EN&id=66>



## Chapter II

# Prosperity

## Section 1

### Economic and social environment

#### The Lisbon strategy: a partnership for growth and employment

##### **Background**

*In 2005 the Lisbon strategy priorities were refocused on jobs and growth by mobilising to a greater extent all national and Community resources in the strategy's three dimensions (economic, social and environmental) with a view to tapping more effectively into their synergies in the general context of globalisation and sustainable development.*

*The Member States sent their national reform programmes to the Commission, which began evaluating them in detail in 2006 with a view to fostering useful exchanges of ideas while putting forward measures to make good the shortcomings revealed. The Commission also undertook an analysis of progress achieved in applying the strategy at both Community and national levels, and made practical suggestions for carrying it forward.*

On 14 February a European Parliament resolution <sup>(1)</sup> on ideas on the Lisbon strategy for the 2007 spring Council praised the Commission and the Member States for their efforts in making the strategy a success. It noted that the strategy was Europe's response to the challenges of globalisation, but it also pointed out that its implementation called for adequate, well-targeted financial resources, which are currently lacking.

After the Member States presented their initial activity reports on the implementation of their national reform programmes, the Council adopted a document on 27 February setting out the key questions on the strategy. It called for full advantage to be taken

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<sup>(1)</sup> OJ C 287 E, 29.11.2007.

of the improved conditions for growth, which are now better than they have been for many years, in order to push ahead with structural reforms in line with the broad economic policy guidelines, including the special recommendations for each country.

For its part, the European Council of 8 and 9 March noted that the Lisbon strategy was beginning to bear fruit and reforms should be stepped up now that the European economy was improving. It called on the Commission to present an interim report in autumn 2007 with an eye to its proposal on integrated guidelines for growth and jobs for 2008–11. The European Council also highlighted the conclusions of the Tripartite Social Summit of 8 March as regards the vital role played by the social partners, which must continue to contribute actively to achieving the Lisbon objectives. The new cohesion policy programmes for 2007–13 adopted in 2007 will also help all actors involved to achieve the growth and jobs objectives in towns, cities and regions <sup>(1)</sup>.

On 3 October the Commission adopted a communication 'The European interest: succeeding in the age of globalisation — Contribution of the Commission to the October meeting of Heads of State or Government' <sup>(2)</sup>. This strategic report assesses implementation of the renewed Lisbon strategy and puts forward proposals for the forthcoming three-year cycle, and in particular a new series of integrated guidelines, country-specific recommendations and a new Community Lisbon programme. At the informal European Council of 18 and 19 October there was broad consensus on the basis of that communication in favour of the Commission's approach with regard to the next phase of the Lisbon strategy to be adopted in spring 2008. The European Council welcomed the Commission's strategic report at its meeting on 14 December. It also adopted a declaration on globalisation stressing in particular that the Union's aim is to shape globalisation in the interests of all its citizens and on the basis of its common values and principles.

On 13 November the Council adopted conclusions on the new three-year cycle of the Lisbon strategy, and on 5 and 6 December it adopted conclusions on the future prospects for the European employment strategy as part of the new phase of the Lisbon strategy.

On 11 December the Commission adopted a communication 'Strategic report on the renewed Lisbon strategy for growth and jobs: launching the new cycle (2008–10)' <sup>(3)</sup>. The communication gives a mid-term assessment of the renewed Lisbon strategy and prepares the ground for the 2008 spring European Council as regards the launch of the new phase.

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<sup>(1)</sup> See 'Regional dimension and Cohesion Fund' in Chapter III, Section 1, of this Report.

<sup>(2)</sup> COM(2007) 581 (OJ C 4, 9.1.2008).

<sup>(3)</sup> COM(2007) 803.

On the same day the Commission adopted a communication 'Proposal for a Community Lisbon programme 2008–10' <sup>(1)</sup>. It sets out an ambitious but realistic series of objectives to be achieved at Community level by 2010. The proposal for a new Community Lisbon programme is based on the integrated guidelines and on the four priority areas identified by the 2006 spring European Council.

## Sustainable development strategy

### Background

*When the European Council relaunched the Lisbon strategy as a partnership for growth and jobs in 2005, it also laid down the guiding principles for sustainable development in Europe. Those principles underpin economic prosperity based on an economy that is innovative and efficient in ecological terms, on protecting and improving the quality of the environment, and on promoting fairness and social cohesion in solidarity with the rest of the world.*

*In June 2006 the Council adopted a new sustainable development strategy. Designed for an enlarged European Union in a world where solidarity is vital, the new strategy seeks to take up seven priority challenges to set Europe on the path to sustainable development while maintaining its prosperity and well-being at their current levels: climate change and clean energy; environmentally friendly transport; sustainable consumption and production patterns; conservation and management of natural resources; public health; social inclusion; population growth, migration and poverty in the world.*

On 22 October the Commission presented its first progress report on the renewed sustainable development strategy <sup>(2)</sup>. The report considers the results achieved in moving towards the seven core objectives and lists the policy initiatives taken at European Union and Member State level that have contributed to those results.

The report shows relatively modest progress in practical terms, but development of policy initiatives is more encouraging and should bring results on the ground in the years to come. The stocktaking will provide the basis for discussions on the need to adjust the course or pace of policy initiatives with a view to redefining and recalibrating objectives over the longer term. The Commission reaffirms the validity of the priorities set in 2006, but stresses that efforts to implement the strategy need to be kept up in all areas, with special emphasis on climate change and clean energy.

In 2007 climate change and sustainable energy became major priorities for both the European Union and the Member States. The report shows that continued efforts will still need to be made to meet the targets within the agreed deadlines. The European Union has accordingly taken significant forward-looking initiatives, the most important being the Council's new integrated climate change and energy policy

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<sup>(1)</sup> COM(2007) 804.

<sup>(2)</sup> COM(2007) 642.

adopted in March <sup>(1)</sup>, which sets ambitious, binding targets for 2020 for the reduction of greenhouse-gas emissions, renewable energies and biofuels. Other initiatives include work on carbon capture and storage. Meeting those targets will mean paying constant attention to the proper application of the Community emissions trading scheme, promoting renewables and sustainable use of biofuels, and developing climate change adaptation strategies and plans.

In the transport sector, progress has been made on reducing pollutant emissions, though greenhouse-gas emissions are still rising. The switch to environmentally friendly transport modes is lagging behind with varying results among the Member States. Road traffic and congestion continue to increase.

In terms of sustainable consumption and production patterns, more and more businesses are reporting on environmental performance and the number of sustainable products and services on the market is rising fast.

There are areas of concern for the conservation and management of certain natural resources, in particular biodiversity loss, although the indicators are stable and even show a slight fall in overall use, as a result of more efficient use and especially of better forest management and lower waste generation.

The trend with regard to public health is positive and, although social inclusion and integration remain major challenges in many countries, unemployment is falling in all Member States.

Progress made in the quality of development aid and the fight to eradicate global poverty is encouraging, though environmental sustainability is still subject to high pressures, in particular for access to key resources.

As in the case of the seven priority challenges, some progress has been recorded in the following intersectoral policies: education and training; research and development; economic and financial instruments; communication, mobilising actors and multiplying success; and producing and monitoring results. Nonetheless, implementation on the ground must be continued to ensure the challenges are properly and consistently targeted in all policy areas.

## **Macroeconomic framework**

### ***General approach***

On 15 February the European Parliament resolution on the European economic situation 'Preparatory report on the broad economic policy guidelines for 2007' <sup>(2)</sup>

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<sup>(1)</sup> See 'Energy' in Section 2 of this chapter, and 'Environment' in Chapter III, Section 2, of this Report.

<sup>(2)</sup> OJ C 287 E, 29.11.2007.

called for good use to be made of the economic upswing and sounder public finances to achieve lasting, quality improvements in growth and jobs. Parliament looked in particular at how Member States implemented the integrated guidelines in this favourable economic climate and made a series of recommendations with an eye to their review in 2008.

In its recommendation <sup>(1)</sup> of 27 March 2007 on the 2007 update of the broad guidelines for the economic policies of the Member States and the Community and on the implementation of Member States' employment policies, the Council laid down guidelines for each Member State and specified the measures for implementing the broad economic policy guidelines. It also made recommendations regarding the euro area.

In a report <sup>(2)</sup> of 3 May pursuant to Regulation (EC) No 501/2004 on quarterly financial accounts for general government <sup>(3)</sup>, the Commission considered that the Member States had achieved significant progress overall regarding the compilation of the data concerned.

### ***Stability and Growth Pact***

The Community institutions carried out the annual examination of the situation of each Member State. On the basis of Commission recommendations, the Council successively adopted opinions on the Member States' updated stability and convergence programmes. It found that, depending on the case, they complied fully, broadly or partially with the requirements of the revised Stability and Growth Pact (SGP).

On 30 January and 9 October respectively the Council repealed the previous decisions on the existence of excessive deficits in France <sup>(4)</sup> and the United Kingdom <sup>(5)</sup> in the light of the recovery in the countries concerned. On 27 February the Council called on the Polish authorities to put an end to the excessive deficit in Poland. Similarly, on 5 June it closed the excessive-deficit procedures for three countries: Germany <sup>(6)</sup>, Greece <sup>(7)</sup> and Malta <sup>(8)</sup>. On 10 July, however, it adopted a decision <sup>(9)</sup> to the effect that action taken by the Czech Republic to correct its excessive deficit had proved inadequate, and on 9 October it adopted a recommendation on ending the excessive deficit there. In all these cases the Council followed the Commission's recommendations.

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<sup>(1)</sup> OJ L 92, 3.4.2007.

<sup>(2)</sup> COM(2007) 230 (OJ C 181, 3.8.2007).

<sup>(3)</sup> OJ L 81, 19.3.2004.

<sup>(4)</sup> Decision 2007/154/EC (OJ L 68, 8.3.2007).

<sup>(5)</sup> Decision 2007/738/EC (OJ L 300, 17.11.2007).

<sup>(6)</sup> Decision 2007/490/EC (OJ L 183, 13.7.2007).

<sup>(7)</sup> Decision 2007/465/EC (OJ L 176, 6.7.2007).

<sup>(8)</sup> Decision 2007/464/EC (OJ L 176, 6.7.2007).

<sup>(9)</sup> Decision 2007/640/EC (OJ L 260, 5.10.2007).

On 13 June the Commission adopted a communication <sup>(1)</sup> assessing action taken by Hungary to correct its excessive deficit in response to the Council's recommendation of October 2006. In July the Council agreed with the Commission's opinion. On 20 November the Commission adopted a similar communication <sup>(2)</sup> concerning Poland in response to the Council's recommendation of February. On 4 December the Council expressed agreement with the Commission's opinion.

On 13 June the Commission adopted a communication on public finances in economic and monetary union <sup>(3)</sup>. It underlines the smooth implementation of excessive-deficit procedures in the recent period, but also notes some deviations from the policy rules of the preventive arm of the SGP. According to the Commission, the challenge now is to use the opportunity offered by the current favourable conditions and move swiftly towards the medium-term budget objectives. The communication sets out practical proposals building on the 2005 reform to strengthen the effectiveness of the SGP's preventive arm in some respects. On 26 April the European Parliament commented on the previous Commission communication <sup>(4)</sup> presented in 2006. It welcomed the significant efforts of some Member States to meet their obligations under the SGP, but expressed concerns regarding the implementation of its preventive arm. And on 9 October the Council adopted conclusions on improving the effectiveness of the SGP.

### ***Quality and sustainability of public finances***

In its conclusions of 5 June on the quality of public finances, the Council emphasised the need to optimise public-sector activities and achieve better outcomes given limited public funds. It supported steps to intensify links between institutional settings and the effectiveness of public spending and called on Eurostat and national statistical authorities to intensify their efforts to make more detailed data available on the composition of public budgets, in particular for education, healthcare, social protection and R & D.

The quality of public finances was also the subject of Council conclusions at its meeting of 9 October. In these the Council emphasised that the modernisation of public administration can play a role in enhancing competitiveness, delivering better services, achieving better value for taxpayers' money and controlling public expenditure. It considered that national systems to measure efficiency and evaluate reforms in the public sector needed to be improved.

### ***Economic and monetary union***

To commemorate the 50th anniversary of the Treaties of Rome on 24 and 25 March, all the countries in the euro area decided to issue a two-euro coin showing an open

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<sup>(1)</sup> SEC(2007) 775.

<sup>(2)</sup> SEC(2007) 1543.

<sup>(3)</sup> COM(2007) 316 (OJ C 191, 17.8.2007).

<sup>(4)</sup> COM(2006) 304.

book — the Treaty — against a background representing the pavement of Rome's Piazza del Campidoglio where the Treaties were signed on 25 March 1957. Cyprus, Hungary and Romania also struck coins of the same design in their own currencies to mark the event.

On a general level, on 3 May the Commission adopted its annual statement <sup>(1)</sup> and annual report on the euro area. The statement highlights the main challenges currently facing the euro area. In its resolution of 12 July on the 2007 annual report, the European Parliament considered that new measures are needed if the euro area's external representation is to reflect its growing importance in the global economy.

In its communication 'The introduction of the euro in Slovenia' <sup>(2)</sup> of 4 May, the Commission noted that the operation had gone swiftly and smoothly, and even if the prices of certain goods and services had risen, the general level of inflation had remained stable overall in the weeks following the changeover.

On 16 May the Commission and the European Central Bank (ECB) adopted convergence reports on Cyprus and Malta <sup>(3)</sup>. In the light of its assessment, the Commission proposed decisions on the adoption of the euro by those countries. After these proposals had been discussed at the June European Council and Parliament had issued a favourable opinion, the Council adopted the decisions <sup>(4)</sup> on 10 July, with effect on 1 January 2008. The Commission also presented its fifth <sup>(5)</sup> (16 July) and sixth <sup>(6)</sup> (27 November) reports on the practical preparations for the future enlargement of the euro area. These reports focus on Cyprus and Malta, as mentioned above, but they also pay special attention to preparations in Slovakia, which wishes to adopt the euro in 2009.

Throughout the year, the Commission carried out communication activities in the Member States, in particular in Cyprus, Malta and Slovakia, to prepare them for the introduction of the euro. It also helped to finance national communication activities under partnership agreements with Cyprus and Malta.

On 20 June Parliament adopted a resolution on improving the method for consulting it in procedures relating to the enlargement of the euro area. Regarding the latter, it called on the Council and the Commission to reach an interinstitutional agreement on a future timetable for and approach to cooperation.

In a resolution of 12 July on the 2006 ECB annual report, Parliament stated that the rule by which a fiscal deficit can be accounted for by investments only should be given consideration. It called on the ECB to monitor developments closely in the use

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<sup>(1)</sup> COM(2007) 231 (OJ C 191, 17.8.2007).

<sup>(2)</sup> COM(2007) 233 (OJ C 191, 17.8.2007).

<sup>(3)</sup> COM(2007) 255 (Cyprus) and COM(2007) 258 (Malta) (OJ C 191, 17.8.2007).

<sup>(4)</sup> Decisions 2007/503/EC (Cyprus) and 2007/504/EC (Malta) (OJ L 186, 18.7.2007).

<sup>(5)</sup> COM(2007) 434 (OJ C 246, 20.10.2007).

<sup>(6)</sup> COM(2007) 756.

of the euro as a reserve currency by central banks and, in connection with its annual report on the international role of the euro, to quantify and analyse the effects of this, particularly as regards exchange rates.

On 26 September the European Economic and Social Committee delivered an opinion <sup>(1)</sup> on the Commission communication 'The EU economy: 2006 review — Strengthening the euro area: key policy priorities' <sup>(2)</sup>.

## **Taxation**

### ***General***

At its plenary session in March the European Economic and Social Committee adopted an opinion <sup>(3)</sup> on the Commission communication concerning the need to develop a coordinated strategy to improve the fight against fiscal fraud <sup>(4)</sup>. It regretted that the Commission's initiatives in this area had not received adequate backing in terms of cooperation from the Member States and expressed the view that cooperation between national anti-fraud bodies needed to be constantly enhanced.

On 11 December Parliament and the Council adopted the Fiscalis 2013 action programme <sup>(5)</sup>. The programme has a budget of EUR 157 million and implementation is due to start in 2008. It aims to provide the Member States with the means to combat fiscal fraud more effectively and to reduce the costs borne by economic operators in complying with Community VAT and excise legislation. It will make it possible to encourage cooperation between the tax administrations and to assist them in achieving the right balance between effective controls and burdens on taxpayers. It will also contribute towards the development of trans-European computerised systems in the fiscal area.

### ***Direct taxation***

On 26 February the Commission adopted a communication on the work of the European Union's joint transfer-pricing forum in the field of dispute avoidance and resolution procedures and on guidelines for advance-pricing agreements within the Union <sup>(6)</sup>. The objective is to prevent transfer-pricing disputes and associated double taxation from arising by encouraging the use of prior bilateral agreements. The communication was endorsed by the Council on 5 June.

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<sup>(1)</sup> OJ C 10, 15.1.2008.

<sup>(2)</sup> COM(2006) 714 (OJ C 126, 7.6.2007).

<sup>(3)</sup> OJ C 161, 13.7.2007.

<sup>(4)</sup> COM(2006) 254 (OJ C 184, 8.8.2006).

<sup>(5)</sup> Decision 1482/2007/EC (OJ L 330, 15.12.2007).

<sup>(6)</sup> COM(2007) 71 (OJ C 138, 22.6.2007).

The Council also recognised the value of discussions on enhancing cooperation and coordination of direct-taxation systems between Member States in the internal market, as its conclusions in March on this topic show. It called on the Member States to continue their work with the Commission to identify areas where there may be a need for greater coordination.

On 26 September the European Economic and Social Committee delivered an opinion <sup>(1)</sup> on the Commission communications 'Coordinating Member States' direct tax systems in the internal market', 'Tax treatment of losses in cross-border situations' and 'Exit taxation and the need for coordination of Member States' tax policies' <sup>(2)</sup>.

In its communication 'Implementing the Community programme for improved growth and employment and the enhanced competitiveness of EU business' <sup>(3)</sup> of 2 May, the Commission outlined progress made in 2006 and the next steps towards a proposal for a common consolidated corporate tax base (CCCTB). It remained convinced that a comprehensive approach involving the introduction of the CCCTB could provide the largest overall benefits as regards the taxation of profits of companies operating in the internal market.

In its conclusions of 25 June on the taxation of savings, the Council confirmed its agreement on the functional and technical specifications for the exchange of information under Directive 2003/48/EC <sup>(4)</sup> and on the use of the common communications network CCN-Mail 2 as the channel after the end of 2007.

On 10 December the Commission adopted a communication on the application of anti-abuse measures in the area of direct taxation within the European Union and in relation to non-member countries <sup>(5)</sup>. The communication invites the Member States to undertake a general review of their anti-abuse rules in the area of direct taxation with due regard to the principles flowing from the case-law of the Court of Justice of the European Communities and to consider the scope for coordinated solutions in this area.

### ***Indirect taxation***

On 13 March the Commission adopted a proposal <sup>(6)</sup> amending Directive 2003/96/EC <sup>(7)</sup>. The proposal seeks to reduce distortions of competition stemming from excessive differences in excise duty on commercial gas oil in the road-haulage sector.

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<sup>(1)</sup> OJ C 10, 15.1.2008.

<sup>(2)</sup> COM(2006) 823, COM(2006) 824 and COM(2006) 825 (OJ C 126, 7.6.2007).

<sup>(3)</sup> COM(2007) 223 (OJ C 181, 3.8.2007).

<sup>(4)</sup> OJ L 157, 26.6.2003.

<sup>(5)</sup> COM(2007) 785.

<sup>(6)</sup> COM(2007) 52 (OJ C 181, 3.8.2007).

<sup>(7)</sup> OJ L 283, 31.10.2003.

On 28 March the Commission adopted a Green Paper on market-based instruments for environment-related policy purposes <sup>(1)</sup> presented jointly by Mr Kovacs and Mr Dimas. It explores possible ways forward on the energy taxation directive with the aim of carrying out a review of its provisions. It also explores options for a more intensive use of market-based instruments in different areas of environment policy.

On 5 June the Council considered a package of measures for simplifying the VAT arrangements for businesses. It confirmed its intention of formally adopting the VAT package before 31 December so that it could come into force on 1 January 2010 at the latest. On 4 December the Council reached political agreement on two proposals for directives and a proposal for a regulation aimed at changing the rules on VAT in order to ensure that VAT on services accrues to the country of consumption, and to prevent distortions of competition between Member States operating different VAT rates.

The so-called VAT package will be adopted without further discussion at a forthcoming Council meeting in 2008. It contains: a proposal for a directive on the place of supply of services; provision for a mini one-stop shop for telecommunication, broadcasting and e-commerce services; a proposal for a directive on procedures for VAT refunds to non-established businesses; and a proposal for a regulation on improved administrative cooperation as regards VAT and the exchange of information between Member States.

On 5 July the Commission presented a proposal for a directive relating to certain temporary provisions concerning rates of VAT <sup>(2)</sup>. The proposal gives substance to the idea of ensuring equal treatment for the Member States by extending to the end of 2010 most of the derogations concerning VAT rates granted to the Member States that joined the Union after 1 January 1995, the objective being to work towards a comprehensive new package of legislation on VAT rates to come into force after 2010. With that in mind, on the same day the Commission adopted a communication <sup>(3)</sup> on VAT rates other than standard VAT rates, with the aim of launching a debate on the future of reduced VAT rates.

On 7 November the Commission adopted a proposal for a directive <sup>(4)</sup> amending various provisions of the VAT directive of 28 November 2006 <sup>(5)</sup>. It proposed in particular to extend the scope of the special scheme introduced for gas and electricity in 2003 and to apply the exemption for international bodies to joint undertakings not carrying out any economic activity.

Similarly, on 28 November the Commission adopted two legislative proposals to update Community legislation on the treatment of insurance and financial services as

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<sup>(1)</sup> COM(2007) 140 (OJ C 181, 3.8.2007). See also 'Environment' in Chapter III, Section 2, of this Report.

<sup>(2)</sup> COM(2007) 381 (OJ C 246, 20.10.2007).

<sup>(3)</sup> COM(2007) 380 (OJ C 191, 17.8.2007).

<sup>(4)</sup> COM(2007) 677 (OJ C 9, 15.1.2008).

<sup>(5)</sup> Directive 2006/112/EC (OJ L 347, 11.12.2006).

regards VAT. This initiative comprises a proposal for a directive <sup>(1)</sup> and a proposal for an implementing regulation <sup>(2)</sup>.

On 23 November, in the follow-up to the communication on the fight against fiscal fraud <sup>(3)</sup>, the Commission adopted a communication concerning some key elements contributing to the establishment of the VAT anti-fraud strategy within the European Union <sup>(4)</sup>. The communication sums up discussions between the tax authorities, businesses and the Commission. It also calls on the Council to provide the necessary political guidance for the Commission's further work as regards conventional measures.

For its part, the Council took the view that a Community-wide strategy to combat fiscal fraud, in particular in the area of indirect taxation, was needed urgently to back up efforts at national level. In its conclusions of 5 June the Council indicated certain measures on which the Commission should continue to work as a priority. These involved conventional measures to strengthen the current VAT system and more ambitious measures to amend it.

## Competition

### Background

*In 2004 two mainstays in the modernisation of European competition law as it affects business came into play: first, a set of rules implementing the EC Treaty provisions on restrictive agreements (Article 81) and abuses of dominant positions (Article 82), and second, a new merger regulation.*

*In 2005 the reform continued with the presentation by the Commission of an action plan designed to lead, over a five-year period, to a comprehensive reform of State aid policy.*

*In 2006 the Commission pushed ahead with its reform programme, putting special emphasis on State aid. It adopted new guidelines on venture capital and aid for R & D and innovation, a regulation granting exemptions for regional investment aid and, lastly, a new regulation on de minimis aid.*

In 2007 competition policy continued to promote and create conditions for markets to operate within a competitive framework in the interest of European businesses and consumers alike. Action undertaken involved tackling market deficiencies resulting from anti-competitive behaviour by operators and certain market structures and helping to put in place, for all sectors of the economy, an overall economic policy framework that is conducive to effective competition.

<sup>(1)</sup> COM(2007) 747.

<sup>(2)</sup> COM(2007) 746.

<sup>(3)</sup> COM(2006) 254 (OJ C 184, 8.8.2006).

<sup>(4)</sup> COM(2007) 758 (OJ C 196, 7.6.2007).

On 25 June the Commission adopted the 2006 report on competition policy <sup>(1)</sup>, which provides an overview of how the instruments of competition policy, namely the antitrust, merger and State aid rules, were developed and applied in general.

### **State aid**

The Commission updated the State aid scoreboard in spring <sup>(2)</sup> and autumn <sup>(3)</sup> 2007. It presents the volume and nature of State subsidies in the context of the State aid control system established by the EC Treaty and describes the Commission's continued implementation of the State aid action plan <sup>(4)</sup>.

On 21 May the Commission adopted a report <sup>(5)</sup> on the application of Council Regulation (EC) No 1407/2002 on State aid to the coal industry, which describes how policies have evolved in the Member States since the regulation came into force. The Commission sees no need to amend the regulation for the time being.

On 12 December the Commission adopted a regulation <sup>(6)</sup> amending Regulation (EC) No 794/2004 implementing Council Regulation (EC) No 659/1999 laying down detailed rules for the application of Article 93 of the EC Treaty. The regulation includes new details on the notification procedure and new forms for notifying aid in the areas of venture capital and research.

Also in line with the State aid action plan, on 24 April <sup>(7)</sup> and 8 September the Commission presented proposals for the block exemption regulation designed to simplify and consolidate into one text the four existing block exemptions for aid to SMEs, including R & D aid, aid for employment, training aid and regional aid. The new regulation would also allow the block exemption of three new types of aid: environmental aid, aid in the form of risk capital and R & D aid, including to large enterprises.

The statistics show that, at 777, the number of State aid notifications to the Commission was down in 2007 compared with 2006. It also took 653 final decisions <sup>(8)</sup>. It approved aid in about 96 % of cases while, in the remaining 4 %, it took a negative decision after concluding that the measures did not comply with State aid rules or the common market.

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<sup>(1)</sup> COM(2007) 358.

<sup>(2)</sup> COM(2007) 347.

<sup>(3)</sup> COM(2007) 791.

<sup>(4)</sup> COM(2005) 107.

<sup>(5)</sup> COM(2007) 253 (OJ C 181, 3.8.2007).

<sup>(6)</sup> IP/07/1911.

<sup>(7)</sup> IP/07/549.

<sup>(8)</sup> These covered sectors such as the manufacturing and services sectors, agriculture and transport, fisheries and the coal industry.

### **Competition rules applicable to enterprises**

In a resolution of 25 April, the European Parliament gave its opinion on the 2005 Commission Green Paper 'Damages actions for breach of the EC antitrust rules' <sup>(1)</sup>.

The Commission levied fines totalling around EUR 3.33 billion on members of cartels operating in markets including the market for lifts and escalators <sup>(2)</sup>, the flat-glass market <sup>(3)</sup>, the beer market in the Netherlands <sup>(4)</sup>, and the market for fasteners and attaching machines <sup>(5)</sup>.

On 4 July it levied a fine of EUR 151 million on Telefónica for abuse of a dominant position to impose unfair prices for over five years on the Spanish broadband market, involving a margin squeeze between the wholesale prices it charged to competitors and the retail prices it charged to its own customers <sup>(6)</sup>.

On 17 September the Court of First Instance confirmed, with regard to the substance, the Commission decision of March 2004 that found against Microsoft. In that decision, Microsoft was fined EUR 497 million for infringing the EC Treaty rules on abuse of a dominant market position (Article 82) by leveraging its near monopoly in the market for personal computer operating systems onto the markets for work group server operating systems and media players.

In another antitrust action the Commission addressed a decision to Groupement des Cartes Bancaires (France), in which it concluded that the latter had infringed the EC Treaty rules prohibiting practices which restrict competition by adopting price measures that hinder the issuing of cards at competitive rates <sup>(7)</sup>. Similarly, on 3 October the Commission fined Visa EUR 10 million for an infringement of the EC Treaty and the EEA Agreement rules on restrictive business practices <sup>(8)</sup>. On 19 December the Commission decided that MasterCard's multilateral interchange fees for cross-border payment card transactions with MasterCard- and Maestro-branded debit and consumer credit cards in the EEA violate EC Treaty rules on restrictive business practices <sup>(9)</sup>.

In the area of company mergers, notifications to the Commission continued to increase as compared with previous years. More than 97 % of notified mergers were approved, most within a month. A few cases were nonetheless the subject of thorough investigations. The Commission continued and completed the investigation into the

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<sup>(1)</sup> COM(2005) 672 (OJ C 49, 28.2.2006).

<sup>(2)</sup> IP/07/209.

<sup>(3)</sup> IP/07/1781.

<sup>(4)</sup> IP/07/509.

<sup>(5)</sup> IP/07/1362.

<sup>(6)</sup> IP/07/1011.

<sup>(7)</sup> IP/07/1522.

<sup>(8)</sup> IP/07/1436.

<sup>(9)</sup> IP/07/1959.

takeover of the Aer Lingus airline by its rival Ryanair <sup>(1)</sup>. On 27 June the Commission opposed this takeover plan, which would have harmed consumers by removing competition and creating a monopoly or dominant position on 35 routes operated by both companies. The Commission opened in-depth investigations into inter alia the SFR/Tele2 <sup>(2)</sup> and the Kronospan/Constantia <sup>(3)</sup> mergers and the Sony/BMG recorded-music joint venture <sup>(4)</sup>. These investigations allowed the identification of some competition concerns in each of these cases, which the parties addressed in modifying the notified transaction. On this basis, the Commission authorised the mergers on 18 July <sup>(5)</sup>, 19 September <sup>(6)</sup> and 3 October <sup>(7)</sup> respectively.

### ***Asserting a proactive policy***

In line with the proactive competition policy advocated by the Commission <sup>(8)</sup>, the results of two sector inquiries into the European gas and electricity sectors and retail banking markets were made public on 10 January <sup>(9)</sup> and 31 January <sup>(10)</sup> respectively. The Commission stressed in those inquiries that it was vital to apply both competition and regulatory-based remedies. Similarly, on 25 September the Commission presented the results <sup>(11)</sup> of the sector inquiry into business insurance and recommended a series of measures to step up competition in this sector.

In the area of international cooperation, on 23 April the Council adopted negotiating directives for a draft agreement between the European Community and South Korea in the area of competition.

In a resolution of 19 June on the 2005 report on competition policy, the European Parliament welcomed the Commission's economic approach to competition-policy enforcement and its efforts to improve the quality of enforcement of decisions within the European competition network.

On 10 July the Commission adopted guidelines explaining its current practice with regard to jurisdictional issues in merger control <sup>(12)</sup>. It had consolidated the existing texts and adapted them in the light both of recent judgments of the European courts and of the new merger regulation adopted in 2004. It would also provide up-to-date guidance on its competence to review transactions under the regulation.

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<sup>(1)</sup> IP/07/893.

<sup>(2)</sup> IP/07/347.

<sup>(3)</sup> IP/07/842.

<sup>(4)</sup> IP/07/272.

<sup>(5)</sup> IP/07/1120.

<sup>(6)</sup> IP/07/1360.

<sup>(7)</sup> IP/07/1437.

<sup>(8)</sup> COM(2004) 293 (OJ C 122, 30.4.2004).

<sup>(9)</sup> COM(2006) 851 (OJ C 138, 22.6.2007).

<sup>(10)</sup> COM(2007) 33 (OJ C 181, 3.8.2007).

<sup>(11)</sup> COM(2007) 556 (OJ C 4, 9.1.2008).

<sup>(12)</sup> IP/07/1043.

On 13 September the Commission launched a public consultation<sup>(1)</sup> on draft guidelines on the application of European Union competition rules to the maritime transport sector. This involved an intermediate stage in the preparation of the guidelines, which should be presented in their final form in 2008. The draft guidelines followed the repeal of the block exemption for liner shipping conferences and the extension of the scope of the competition law implementing rules to tramp shipping (maritime transport on demand) and cabotage services (Regulation (EC) No 1/2003)<sup>(2)</sup> decided by the Council on 25 September 2006.

### ***General references and other useful links***

- Lisbon strategy:  
[http://ec.europa.eu/growthandjobs/index\\_en.htm](http://ec.europa.eu/growthandjobs/index_en.htm)
- Sustainable development:  
<http://ec.europa.eu/environment/eussd/>
- Stability and convergence programmes:  
[http://ec.europa.eu/economy\\_finance/sg\\_pact\\_fiscal\\_policy/fiscal\\_policy528\\_en.htm](http://ec.europa.eu/economy_finance/sg_pact_fiscal_policy/fiscal_policy528_en.htm)
- Excessive deficits:  
[http://ec.europa.eu/economy\\_finance/sg\\_pact\\_fiscal\\_policy/fiscal\\_policy554\\_en.htm](http://ec.europa.eu/economy_finance/sg_pact_fiscal_policy/fiscal_policy554_en.htm)
- European Central Bank:  
<http://www.ecb.eu/home/html/index.en.html>
- Taxation:  
[http://ec.europa.eu/taxation\\_customs/taxation/gen\\_info/tax\\_policy/index\\_en.htm](http://ec.europa.eu/taxation_customs/taxation/gen_info/tax_policy/index_en.htm)
- Competition:  
[http://ec.europa.eu/comm/competition/index\\_en.html](http://ec.europa.eu/comm/competition/index_en.html)
- Prohibited restrictive agreements:  
<http://ec.europa.eu/comm/competition/antitrust/cases/>
- State aid:  
[http://ec.europa.eu/comm/competition/state\\_aid/overview/index\\_en.html](http://ec.europa.eu/comm/competition/state_aid/overview/index_en.html)
- International competition network:  
<http://www.internationalcompetitionnetwork.org/>

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(1) IP/07/1325.

(2) OJ L 1, 4.1.2003.

## Section 2

# Levers of prosperity

## Review and progress of the internal market

### *Review of the single market*

In early 2007 the institutions set about a review of the single market, thereby heralding the start of a new phase in the development of this key component of the European integration process.

Thus on 17 January the European Economic and Social Committee adopted an exploratory own-initiative opinion 'The review of the single market' <sup>(1)</sup> and on 27 March the Committee of the Regions adopted an opinion 'The future of the single market and stocktaking of European society' <sup>(2)</sup>.

On 22 February the Commission adopted a communication 'A single market for citizens — interim report to the 2007 spring European Council' <sup>(3)</sup>, setting out its vision for the single market of the 21st century. It also suggested exploring new approaches to make the single market more impact-driven, result-oriented and network-based and to enhance its effectiveness, decentralisation, responsiveness to the global context and accessibility. In its conclusions of 19 February and 22 November, the Council took note of the ongoing revision of the review of the single market. For its part the March European Council took note of this approach and stressed the need to improve still further the way the internal market worked so it could adapt to the new economic facts.

On 4 September the European Parliament adopted a resolution on the single market review, in which it proposed to tackle barriers and inefficiencies through better implementation and enforcement of existing rules.

The review led to the communication 'A single market for 21st century Europe' <sup>(4)</sup>, adopted by the Commission on 20 November. That communication turned the February interim report into an operational set of measures with the aim of repositioning the single market. It was accompanied by a communication on services of general interest, including social services of general interest <sup>(5)</sup>, and a paper setting out a 'new social vision' for Europe <sup>(6)</sup>. The package of measures was based in addition

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<sup>(1)</sup> OJ C 93, 27.4.2007.

<sup>(2)</sup> OJ C 156, 7.7.2007.

<sup>(3)</sup> COM(2007) 60 (OJ C 138, 22.6.2007).

<sup>(4)</sup> COM(2007) 724.

<sup>(5)</sup> COM(2007) 725.

<sup>(6)</sup> COM(2007) 726.

on a series of working papers providing further details on the way the Commission intends to modernise the single market policy.

In particular, the communication announces a new approach and a series of measures to ensure the single market does more to take advantage of globalisation, empower consumers, open up for small businesses, stimulate innovation and help to maintain high social and environmental standards. Among the major policy actions included in the single market package are initiatives to:

- help consumers to exercise their contractual rights and obtain redress across borders;
- help consumers to benefit to a greater extent from the opening-up of financial markets;
- provide better information for consumers and small businesses;
- respond to weaknesses in sectors where the single market should deliver more;
- propose a 'small business act' and introduce a 'researcher passport';
- specify how Community rules are to apply to services and social services of general interest and promote the quality of social services across the Union.

### ***General strategy***

The Commission adopted an important package of legislation on the development of the internal market, the key communication for which was 'The internal market for goods: a cornerstone of Europe's competitiveness' <sup>(1)</sup>. The package comprised four initiatives, which form part of the new strategy for the single market of the 21st century, in particular as regards improving the way the latter functions (see below).

### ***Free movement of goods***

On 14 February the Commission adopted a package of measures on the single market for goods comprising four initiatives to streamline freedom of movement of goods and to simplify and modernise the rules and principles governing the single market, while stepping up the rules on product safety:

- a proposal for a regulation laying down procedures relating to the application of certain national technical rules to products lawfully marketed in another Member State <sup>(2)</sup>;
- a proposal for a regulation setting out the requirements for accreditation and market surveillance relating to the marketing of products <sup>(3)</sup>;

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<sup>(1)</sup> COM(2007) 35 (OJ C 138, 22.6.2007).

<sup>(2)</sup> COM(2007) 36 (OJ C 138, 22.6.2007).

<sup>(3)</sup> COM(2007) 37 (OJ C 138, 22.6.2007).

- a proposal for a decision on a common framework for the marketing of products <sup>(1)</sup>;
- lastly, an interpretative communication on procedures for the registration of motor vehicles originating in another Member State <sup>(2)</sup>. On 21 March the Commission adopted a report <sup>(3)</sup> on the operation from 2002 to 2005 of Directive 98/34/EC <sup>(4)</sup>, which provides for an information procedure on standards and technical regulations. The report's conclusions confirm the Member States' positive view of the way the directive has been applied. It also puts forward some avenues that are worth considering if users, and in particular economic operators, are to derive maximum benefit from the directive.

As part of the defence package, on 5 December the Commission adopted a proposal for a directive relating to transfers of defence-related products within the Community <sup>(5)</sup> with the aim of reducing the barriers to trade in such products within the Union.

### ***Freedom to provide services and freedom of establishment***

Financial services have been the focus of attention since the beginning of 2007. On 27 February the Council adopted conclusions on the clearing and settlement of securities transactions (and in particular the code of conduct signed by the providers of negotiation and post-negotiation infrastructure), a key component of financial integration within the European Union where significant progress is needed to improve the efficiency and the reliability of post-trading services.

On 19 March the Commission presented an interpretative communication <sup>(6)</sup> on the respective powers retained by the home Member State and the host Member State in the marketing of undertakings for collective investment in transferable securities (UCITS) pursuant to Section VIII of the UCITS directive <sup>(7)</sup>. The communication seeks to correct diverging interpretations of the directive and thereby improve the way it works.

In April it adopted a report on the continued appropriateness of the requirements for professional indemnity insurance imposed on intermediaries under Community law <sup>(8)</sup> and a Green Paper on retail financial services in the single market <sup>(9)</sup>. Acknowledging that major efforts are needed in both these areas if citizens are to reap the benefit of

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<sup>(1)</sup> COM(2007) 53 (OJ C 138, 22.6.2007).

<sup>(2)</sup> SEC(2007) 169.

<sup>(3)</sup> COM(2007) 125 (OJ C 181, 3.8.2007) and SEC(2007) 350.

<sup>(4)</sup> OJ L 204, 21.7.1998.

<sup>(5)</sup> COM(2007) 765.

<sup>(6)</sup> COM(2007) 112 (OJ C 181, 3.8.2007).

<sup>(7)</sup> Directive 85/611/EEC (OJ L 375, 31.12.1985).

<sup>(8)</sup> COM(2007) 178 (OJ C 181, 3.8.2007).

<sup>(9)</sup> COM(2007) 226 (OJ C 181, 3.8.2007).

a genuine single market in financial services, it proposed areas to explore and actions to be undertaken.

On 8 May the Council adopted two sets of conclusions. The first welcomed the Commission's White Paper on enhancing the single market framework for investment funds <sup>(1)</sup>. The second acknowledged that hedge funds have contributed significantly to fostering the efficiency of the financial system, but drew attention to the associated potential systemic and operational risks.

In a resolution of 23 May, Parliament confirmed its position on the organisational peculiarities of each healthcare system and called on the Commission to submit a proposal for an appropriate instrument with a view, in particular, to codifying the case-law of the Court of Justice on patients' rights. Parliament called for very wide freedom for patients and health practitioners. It also invited the Commission actively to support the introduction of e-health and telemedicine.

On 30 May the European Economic and Social Committee adopted an own-initiative opinion 'The internal market in services — Requirements as regards the labour market and consumer protection' <sup>(2)</sup>, which aims to clarify the effects of the current strategy for the internal market in services on the job market, employment conditions and consumer protection and in so doing to be of practical use to those affected and the European institutions.

In a report of 25 June on certain issues relating to motor insurance <sup>(3)</sup>, the Commission referred to the effectiveness of national penalties introduced in respect of the reasoned offer/reply procedure and the coverage of legal costs.

On 10 July the Commission presented a proposal for a directive on the taking-up and pursuit of the business of insurance and reinsurance (Solvency II) <sup>(4)</sup>. It calls for insurers to meet stricter solvability requirements in order to ensure that they have sufficient assets to cope with adverse circumstances, such as floods, storms and serious car accidents. Under the proposal, insurers will also be required to own the assets necessary to cover market risk, credit risk and operational risk, which are not covered by the current European Union regime.

In a resolution of 11 July on financial services policy (2005–10), Parliament referred to market concentration, alternative investment vehicles, access to finance in the retail segment, financial literacy and users' input in policymaking, better regulation, systemic risks, architecture of regulation and supervision, and global impact of measures.

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<sup>(1)</sup> COM(2006) 686 (OJ C 181, 3.8.2007).

<sup>(2)</sup> OJ C 175, 27.7.2007.

<sup>(3)</sup> COM(2007) 207.

<sup>(4)</sup> COM(2007) 361.

On 26 September the Committee adopted an own-initiative opinion 'The economic and social consequences of financial market trends' <sup>(1)</sup>. It sets out recommendations on four areas: information, transparency and protection of investors and consumers; risk management and diversification; reconciling the financial strategy and the European social model; and equal tax treatment.

On 18 September the Council adopted negotiating directives for an agreement with the United States on gambling and betting services.

On 9 October it also adopted conclusions on the European Union's financial stability arrangements and others on clearing and settlement.

A report setting out solutions to post-trading fiscal compliance barriers in the European Union was drafted by the fiscal compliance expert group (FISCO) and presented on 23 October at a conference in Brussels. The Commission will consider practical action based on FISCO's work and will establish a timeframe.

In the financial services sector, on 13 November the European Parliament and the Council adopted a directive <sup>(2)</sup> facilitating payments within the European Union, in particular credit transfers, direct debits and card payments, by laying down the legal basis for introducing a single euro payments area. The directive strengthens the rights and protection of all users of payment services.

On 18 December the Commission adopted a White Paper on the integration of European Union mortgage credit markets <sup>(3)</sup>. Mindful of the importance of mortgage credit markets, the Commission conducted a comprehensive review of the level of integration of these markets and the way they operate. The White Paper summarises the conclusions of this review and identifies a balanced package of measures designed to improve the competitiveness and the efficiency of the European Union's residential mortgage markets, which will benefit consumers, lenders and investors.

On the same day the Commission adopted a communication 'Financial education' <sup>(4)</sup>. It sets out certain non-binding principles by way of guidance for the Member States and the other parties concerned when drawing up and implementing financial education schemes.

Moreover, in its communication <sup>(5)</sup> of 21 December the Commission put forward measures to increase cross-border investments by venture capital funds.

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<sup>(1)</sup> OJ C 10, 15.1.2008.

<sup>(2)</sup> Directive 2007/64/EC (OJ L 319, 5.12.2007).

<sup>(3)</sup> COM(2007) 807.

<sup>(4)</sup> COM(2007) 808.

<sup>(5)</sup> COM(2007) 853.

In 2007 work on completing the single market in postal services <sup>(1)</sup> continued within the various institutions.

### ***Company law, corporate governance and the fight against financial crime***

In a resolution of 1 February setting out 11 recommendations on the European private company statute <sup>(2)</sup>, the European Parliament requested the Commission to submit a legislative proposal to it in this area during 2007. The recommendations relate in particular to Community law as the basis for the form of company, procedures for formation, capital stock, and net liability of executive directors and members in the event of a reduction in net worth.

In a communication <sup>(3)</sup> of 10 July the Commission presented considerations on a simplified business environment for companies in the areas of company law, accounting and auditing. Given developments in recent years (globalisation of economies and radical developments in technology, new international accounting standards and the development of case-law), it felt there was a need to review existing directives to assess their continued relevance. It therefore intends to have discussions on the subject with the Member States, Parliament and other interested parties.

On 11 July Parliament and the Council signed a directive on the exercise of certain rights of shareholders in listed companies <sup>(4)</sup>. It seeks to remove the main obstacles to cross-border voting in listed companies which have their registered office in one Member State by introducing special requirements concerning shareholders' rights in relation to the general meeting.

On 13 November Parliament and the Council signed a directive <sup>(5)</sup> concerning the requirement for an independent expert's report on the occasion of mergers or divisions of public limited liability companies. The proposal is one of 10 practical proposals for fast-track action in the action programme for reducing administrative burdens in the European Union <sup>(6)</sup>. It gives shareholders the direct possibility of forgoing the written expert report on the draft terms of merger or division, thereby bringing two directives <sup>(7)</sup> into line with the current requirements of the 10th company law directive on cross-border mergers of limited liability companies <sup>(8)</sup>.

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<sup>(1)</sup> COM(2006) 594 (OJ C 332, 30.12.2006).

<sup>(2)</sup> OJ C 250 E, 25.10.2007.

<sup>(3)</sup> COM(2007) 394 (OJ C 191, 17.8.2007).

<sup>(4)</sup> Directive 2007/36/EC (OJ L 184, 14.7.2007).

<sup>(5)</sup> Directive 2007/63/EC (OJ L 300, 17.11.2007).

<sup>(6)</sup> See 'Reducing the administrative burden' in Chapter I, Section 1, of this Report.

<sup>(7)</sup> Directives 78/855/EEC (OJ L 295, 20.10.1978) and 82/891/EEC (OJ L 378, 31.12.1982).

<sup>(8)</sup> Directive 2005/56/EC (OJ L 310, 25.11.2005).

### ***Accountancy and auditing***

On 6 July the Commission presented its first report to the European Securities Committee and to the European Parliament on convergence between international financial reporting standards and non-member country national GAAPs (generally accepted accounting principles) <sup>(1)</sup>. The report mainly concerns the work timetables on the subject as anticipated by the national authorities of Canada, Japan and the USA. It also contains certain preliminary information about convergence efforts by some other third countries.

### ***Intellectual and industrial property***

In a resolution of 13 March <sup>(2)</sup> on the Commission recommendation on collective cross-border management of copyright and related rights for legitimate online music services <sup>(3)</sup>, the European Parliament invited the Commission to make it clear that the recommendation applied exclusively to online sales of music recordings, and to present a proposal as soon as possible for a framework directive regulating the collective management of copyright and related rights as regards online music services, while taking account of the specificity of the digital era and safeguarding European cultural diversity.

For its part, the spring European Council stressed the need to step up international action to protect intellectual property rights and the fight against counterfeiting and product piracy.

In the field of patent policy, on 3 April the Commission adopted a communication 'Enhancing the patent system in Europe' <sup>(4)</sup>, which sets out the results of a consultation launched in January 2006. The communication should be followed up in 2008 by a strategy for tackling the main issues pending in all areas of intellectual property.

In May in its conclusions on the financial perspectives of the Office for Harmonisation in the Internal Market (Trade Marks and Designs), the Council stated that, since its establishment in 1996, the body had contributed substantially to improving the way the internal market functioned. The Council called on the Commission to start work on a study on the overall functioning of the Community trademark system to be completed as a matter of priority.

On 27 July the Commission adopted the measures needed to tie the Community system for registering designs in with the international system of the World Intellectual Property Organisation.

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<sup>(1)</sup> COM(2007) 405 (OJ C 191, 17.8.2007).

<sup>(2)</sup> OJ C 301 E, 13.12.2007.

<sup>(3)</sup> OJ L 276, 21.10.2005.

<sup>(4)</sup> COM(2007) 165 (OJ C 191, 17.8.2007).

## **Public procurement**

In January, in an opinion <sup>(1)</sup> on the award of public contracts in the European Union, the European Economic and Social Committee analysed the situation as it stands and proposed avenues to explore with a view to further improving the way this important aspect of the internal market functions.

On 23 May the European Parliament and the Council adopted a directive <sup>(2)</sup> repealing Directive 71/304/EEC concerning the abolition of restrictions on freedom to provide services in respect of public works contracts and on the award of public works contracts to contractors acting through agencies or branches. This action is part of efforts to simplify the *acquis communautaire*.

In a resolution of 20 June, Parliament noted that the deadline for transposing the public procurement directives into national legislation was 31 January 2006 and that, on that date, only 20 out of 27 Member States had complied. It therefore recommended that the Commission propose an action plan to encourage Member States to fulfil their obligation and focus on illegal direct awards and late or incorrect transposition.

Article 30 of Directive 2004/17/EC provides for the possibility of exempting 'liberalised' activities from its scope, that is activities that are 'directly exposed to competition on markets to which access is not restricted'. Under those provisions the Commission adopted four decisions <sup>(3)</sup> in 2007 concerning the supply of electricity and gas in England, Scotland and Wales, certain courier and parcel services in Denmark, certain services in the postal sector in Finland (excluding the Åland Islands) and the production and sale of electricity in Sweden.

On 11 December Parliament and the Council signed a directive <sup>(4)</sup> revising the Community rules on review procedures concerning the award of public contracts. The directive improves national review procedures available to undertakings where they consider a public contract has been awarded unfairly.

As part of the defence package, on 5 December the Commission adopted a proposal for a directive on public contracts in the defence and security markets <sup>(5)</sup>. The proposed directive relaxes the rules on the award of certain public works contracts, public supply contracts and public service contracts in the fields of defence and security.

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<sup>(1)</sup> OJ C 93, 27.4.2007.

<sup>(2)</sup> Directive 2007/24/EC (OJ L 154, 14.6.2007).

<sup>(3)</sup> Decisions 2007/141/EC (OJ L 62, 1.3.2007), 2007/169/EC (OJ L 78, 17.3.2007), 2007/564/EC (OJ L 215, 18.8.2007) and 2007/706/EC (OJ L 287, 1.11.2007).

<sup>(4)</sup> Directive 2007/66/EC (OJ L 335, 20.12.2007).

<sup>(5)</sup> COM(2007) 766.

## Innovation and enterprise policy

In connection with the implementation of the Lisbon strategy, on 4 April the Commission presented a communication 'Improving knowledge transfer between research institutions and industry across Europe' <sup>(1)</sup>. It noted that such interactions had been increasing gradually over the past decade. In the course of its analysis, the Commission also presented guidelines to help research institutions identify shared interests with industry and to facilitate mutually beneficial knowledge transfer arrangements. That communication was the subject of an opinion of the Committee of the Regions <sup>(2)</sup> adopted on 11 October.

In an own-initiative opinion <sup>(3)</sup> of 11 July, the European Economic and Social Committee analysed the links between innovation and industrial change and made recommendations on aspects of the innovative system which are conducive to making direct commercial use of research findings, and to strengthening and promoting the development of European industry and economic performance. It also welcomed the efforts of the European Investment Bank to boost innovation. On 12 July it adopted an opinion on investment in knowledge and innovation in line with the Lisbon strategy <sup>(3)</sup>.

On 11 September the Commission adopted a communication on public-private dialogue in security research and innovation <sup>(4)</sup>, which provides in particular for the establishment of a European Security Research and Innovation Forum <sup>(5)</sup>.

### ***Innovation***

On 22 February the Commission published its sixth European innovation scoreboard (EIS), for 2006. The EIS was introduced under the Lisbon strategy to evaluate and compare the performance of the Member States, the USA and Japan. Two major strands emerge from the sixth EIS: first, the innovation gap between the European Union and the USA has narrowed for the fourth consecutive year, and second, national innovation performances are beginning to converge as the new Member States come closer to the Union's average.

On 23 February the Commission also published a working paper 'Guide on dealing with innovative solutions in public procurement: 10 elements of good practice' <sup>(6)</sup>, which reviews possibilities for stimulating innovation through public procurement.

<sup>(1)</sup> COM(2007) 182 (OJ C 181, 3.8.2007).

<sup>(2)</sup> OJ C 305, 15.12.2007.

<sup>(3)</sup> OJ C 256, 27.10.2007.

<sup>(4)</sup> COM(2007) 511 (OJ C 4, 9.1.2008).

<sup>(5)</sup> See also 'Research' in Section 2 of this Chapter.

<sup>(6)</sup> SEC(2007) 280.

With a view to a public consultation, on 27 July the Commission published a working paper 'Towards a European strategy in support of innovation in services: challenges and key issues for future actions' (1).

On 22 November the Council welcomed progress in implementing the innovation strategy adopted in December 2006.

### ***Promoting entrepreneurship and SME policy***

In an opinion (2) of 14 February on the Commission communication on financing SME growth (3), the Committee of the Regions drew attention to the key problem created by the withdrawal of large banks from local markets in rural and underpopulated or economically weak areas. It felt that a change of regulation in this field could have an important impact on the availability of funding to SMEs. Favouring a better environment for risk-capital investment, it recommended in particular that the Commission include regional best practices in its further discussions at European level.

For its part, the March European Council was in favour of reducing administrative burdens in order to boost Europe's economy, especially through its impact on SMEs.

In its third report published on 4 May on the financial instruments of the multiannual programme for enterprise and entrepreneurship (4), the Commission concluded that the SME guarantee facility had been very well taken up by the market and that the loan guarantee and micro-credit windows had been successful, allowing the participating financial intermediaries to increase volumes and to take on more risk. It noted that the Community financial instruments in the competitiveness and innovation framework programme (CIP) would support both SMEs operating in traditional sectors and those investing in information and communication technologies (ICTs) and innovation, including eco-innovation. The CIP should therefore become one of the main Community measures contributing to competitiveness and the Lisbon strategy.

A call for proposals was issued by the Commission under the CIP with a view to replacing the existing Euro Info Centre and Innovation Relay Centre networks with a new single European support network for SMEs, which will provide integrated support to businesses to foster entrepreneurship and innovation. The single network will be operational from January 2008.

Management of the network project has been delegated to the Executive Agency for Competitiveness and Innovation (EACI). The Commission set up the EACI on 31 May after renaming, and extending the scope of, the Intelligent Energy Executive Agency,

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(1) SEC(2007) 1059.

(2) OJ C 146, 30.6.2007.

(3) COM(2006) 349.

(4) COM(2007) 235.

which was established in 2004. In addition to the network, the EACI manages the intelligent energy Europe programme under the CIP and the Marco Polo programme in the field of transport.

In accordance with the CIP's legal basis, participation is open to non-member countries. The year 2007 saw the completion of the negotiations and formalities on participation by the EEA/EFTA countries, Croatia, the former Yugoslav Republic of Macedonia and Israel in the specific programme for entrepreneurship and innovation under the CIP. Negotiations are under way with other States.

At its sitting of 24 May, the European Parliament stressed the need to improve access to financing for SMEs. It noted that the Commission's strategy as set out in its communication on a broad-based innovation strategy for the European Union <sup>(1)</sup> emphasised the present venture-capital system, which in its view did not meet the funding needs of SMEs, small and micro-enterprises. It is in favour of a specific programme for developing innovation in SMEs, the provision of financial support to SMEs for their patent applications and greater use of public procurement to support innovation.

On 12 July the European Economic and Social Committee adopted an own-initiative opinion on business potential, especially of SMEs <sup>(2)</sup>. In particular it urged the Commission and the Council to make every effort to contribute to making the 'think small first' principle a guiding principle in all relevant legislation. It also called for the Commission to make an analysis of SME involvement in Community programmes.

On 4 October the Commission adopted a communication 'Small and medium-sized enterprises — Key for delivering more growth and jobs: a mid-term review of modern SME policy' <sup>(3)</sup>, which outlines progress since 2005 in SME policy and notes encouraging results in the mainstreaming of SMEs' interests in policymaking at both national and Community level.

In its communication of 5 October 'Overcoming the stigma of business failure — For a second chance policy — Implementing the Lisbon partnership for growth and jobs' <sup>(4)</sup>, the Commission stated that the high cost of bankruptcies could be reduced if businesses at risk were better assisted and, in the event of bankruptcy, a fresh start were facilitated. It stressed that developing a second-chance policy would be beneficial for Europe's economy.

On 8 October the Commission adopted a communication 'Small, clean and competitive: a programme to help small and medium-sized enterprises comply with

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<sup>(1)</sup> COM(2006) 502.

<sup>(2)</sup> OJ C 256, 25.10.2007.

<sup>(3)</sup> COM(2007) 592 (OJ C 4, 9.1.2008).

<sup>(4)</sup> COM(2007) 584 (OJ C 4, 9.1.2008).

environmental legislation' <sup>(1)</sup>. The programme to assist SMEs in complying with environmental legislation fulfils a commitment under the sixth Community environment action programme.

At its meeting on 22 November, the Council adopted conclusions on SME policy in connection with the integrated approach to competitiveness.

### ***Industrial policy***

In its conclusions of 22 May on industrial policy, the Council welcomed the progress made at Community level, and in particular the positive results of the sectoral initiatives concerning the automotive industry, biotechnology, ICT and shipbuilding. It considered, however, that the challenges of globalisation required further efforts while account needed to be taken of social and environmental goals and concerns about climate change. Reaffirming its support for the Commission's integrated approach to industrial policy (see below), the Council called on the latter to implement the conclusions of the March European Council, bearing in mind the following factors that are important for the competitiveness of industry: the need for integration and complementarity in the environmental, energy and industrial policies; the 'better regulation' agenda; efforts to give fresh impetus to the internal market for goods; the negotiation of free-trade agreements, the completion of the Doha Round and the market access strategy; and the innovation strategy. On 22 November the Council also adopted conclusions on industrial policy under its integrated approach to competitiveness.

On 4 July the Commission presented the results of a mid-term review of industrial policy <sup>(2)</sup>, for which it had done the groundwork in 2005 by laying out an integrated approach <sup>(3)</sup>. Taking stock of progress made since, it felt there was no need for a fundamental change in the proactive, albeit not interventionist, policy thus set out. Nonetheless, it did consider that globalisation, technological and climate change all put competitive pressure on the Union's economy to adjust. The Commission was accordingly considering new initiatives over the period 2007–09, such as support for sustainable policies in the field of energy and climate change, safeguarding access to raw materials, and measures to take account of the special situation of energy-intensive industries and to encourage innovation. It also identified those areas where efforts under way needed to be stepped up, including simplifying and improving the regulatory environment and the transition towards a low-carbon and energy-efficient economy.

### ***Corporate social responsibility***

Convinced that businesses' growing social and environmental responsibility represented an essential element of the European social model and the European

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<sup>(1)</sup> COM(2007) 379 (OJ C 4, 9.1.2008).

<sup>(2)</sup> COM(2007) 374 (OJ C 246, 20.10.2007).

<sup>(3)</sup> COM(2005) 474 (OJ C 49, 28.2.2006).

Union's strategy for sustainable development, in a resolution of 13 March <sup>(1)</sup> the European Parliament suggested establishing a European labelling standard for products complying with human rights and workers' fundamental rights on the model existing at European level for the environment and developing a professional framework, including specific qualifications in the field of social audit and certification. It called on the Commission to work towards drawing up a list of criteria for enterprises to respect if they claimed to be responsible, such as the obligation to disseminate good practice.

### **Tourism**

On 19 October the Commission adopted a communication 'Agenda for a sustainable and competitive European tourism' <sup>(2)</sup>, which carries forward the new tourism policy for the Union <sup>(3)</sup>. All the actors concerned were encouraged to step up the contribution of sustainable practices promoting the competitiveness of Europe as one of the world's most popular tourist destinations. On 22 November the Council adopted conclusions on tourism policy.

### **Product policy**

#### **Automotive industry**

On 7 February the Commission adopted a communication 'A competitive automotive regulatory framework for the 21st century' (CARS 21) <sup>(4)</sup>. The communication seeks to establish a regulatory framework for the sector that will safeguard the competitiveness of the automotive industry in Europe. In the wake of the recommendations in this communication, on 14 November the United Nations Economic Commission for Europe adopted regulations on electronic stability control and on daytime running lights.

On 7 February the Commission also adopted a communication 'Results of the review of the Community strategy to reduce CO<sub>2</sub> emissions from passenger cars and light-commercial vehicles' <sup>(5)</sup>. On 19 December the Commission adopted a proposal for a regulation <sup>(6)</sup> based on that communication. The proposed legislation sets emission standards for new cars as part of the Community's integrated approach to lowering carbon dioxide emissions.

On 5 September the European Parliament and the Council adopted Directive 2007/46/EC <sup>(7)</sup> to establish a new framework for the approval of motor vehicles and their trailers,

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<sup>(1)</sup> OJ C 301 E, 13.12.2007.

<sup>(2)</sup> COM(2007) 621 (OJ C 4, 9.1.2008).

<sup>(3)</sup> COM(2006) 134 (OJ C 130, 3.6.2006)

<sup>(4)</sup> COM(2007) 22 (OJ C 138, 22.6.2007).

<sup>(5)</sup> COM(2007) 19 (OJ C 138, 22.6.2007).

<sup>(6)</sup> COM(2007) 856.

<sup>(7)</sup> OJ L 263, 9.10.2007.

and of systems, components and separate technical units intended for such vehicles. Henceforward, European Union legislation on the approval of vehicles and their components will seek to ensure that new vehicles and vehicle parts and equipment placed on the market provide a high level of safety and environmental protection.

To reduce the number of fatal accidents on European roads, on 3 October the Commission adopted a proposal for a regulation on the protection of pedestrians and other vulnerable road users <sup>(1)</sup>. The proposal will allow the requirements under the existing legislation to apply while introducing a requirement for an active safety system. This combined approach will improve safety for pedestrians and will allow the brake-assist system to be used for cars from 2009.

On 10 October the Commission put forward a proposal for a regulation <sup>(2)</sup> to simplify the type-approval of hydrogen-powered motor vehicles so they are seen more often on Europe's roads. The proposed regulation seeks to approximate safety requirements across the Member States in order to strengthen the single market as far as such vehicles are concerned.

On 21 December the Commission adopted a proposal for a regulation <sup>(3)</sup> on type-approval of motor vehicles and engines with respect to emissions from heavy-duty vehicles. The proposed regulation seeks to protect the environment from pollutant emissions from such vehicles.

### **Dangerous products**

On 25 September the European Parliament and the Council adopted Directive 2007/51/EC <sup>(4)</sup> amending Directive 76/769/EEC relating to restrictions on the marketing of certain measuring devices containing mercury.

### **Units of measurement**

On 10 September the Commission adopted a proposal for a directive on the approximation of the laws of the Member States relating to units of measurement <sup>(5)</sup>.

### **Medical devices**

By adopting Directive 2007/47/EC <sup>(6)</sup> on 5 September, the European Parliament and the Council expanded the legal framework of Directive 90/385/EEC on the approximation of the laws of the Member States relating to active implantable medical devices and

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<sup>(1)</sup> COM(2007) 560 (OJ C 4, 9.1.2008).

<sup>(2)</sup> COM(2007) 593 (OJ C 4, 9.1.2008).

<sup>(3)</sup> COM(2007) 851.

<sup>(4)</sup> OJ L 257, 3.10.2007.

<sup>(5)</sup> COM(2007) 510 (OJ C 4, 9.1.2008).

<sup>(6)</sup> OJ L 247, 21.9.2007.

amended Directive 93/42/EEC concerning medical devices and Directive 98/8/EC concerning the placing of biocidal products on the market.

### ***Space policy***

On 26 April the Commission adopted a communication on European space policy <sup>(1)</sup>. The strategic mission of the policy, which is based on the peaceful exploitation of outer space by all Member States and the European Space Agency, will be: to develop and exploit space applications serving Europe's public-policy objectives (with, first and foremost, Galileo for positioning services, and the GMES (global monitoring for environment and security) joint initiative for Earth observation); to meet Europe's security and defence needs; to ensure a strong and competitive space industry; to contribute to the knowledge-based society by investing strongly in space-based science; and to secure unrestricted access to new and critical technologies, systems and capabilities in order to ensure independent European space applications.

## **Competitiveness in the key sectors**

### ***Defence sector***

As part of the defence package, on 5 December the Commission adopted a communication 'A strategy for a stronger and more competitive European defence industry' <sup>(2)</sup>. The communication sets out various recommendations to increase the sector's competitiveness.

## **Research**

### ***European research area: new perspectives***

In a Green Paper of 4 April 'The European research area: new perspectives' <sup>(3)</sup>, the Commission raised a number of questions on how to deepen and widen the European research area so that it fully contributes to the renewed Lisbon agenda. The European research area needed by the scientific community, businesses and citizens should have: an adequate flow of competent researchers, world-class research infrastructures, excellent research institutions, effective knowledge-sharing and well-coordinated research programmes and priorities. It must also be open to the world.

### ***Implementation of the European research area***

The seventh framework programme of the European Community for research, technological development and demonstration activities and the seventh framework

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<sup>(1)</sup> COM(2007) 212 (OJ C 181, 3.8.2007).

<sup>(2)</sup> COM(2007) 764.

<sup>(3)</sup> COM(2007) 161 (OJ C 181, 3.8.2007).

programme of the European Atomic Energy Community (Euratom) (together: seventh framework programme), which have a budget of EUR 53.2 billion, are the European Union's main instrument for European-level research funding.

The seventh framework programme of the European Community came into force on 1 January 2007 and will end on 31 December 2013. It centres on four specific programmes which correspond to the four main objectives of European research policy:

- 'cooperation': promoting cooperation between industry and universities to achieve greater leadership in key technological areas;
- 'ideas': supporting basic research at the frontiers of science — programme implemented by the European Research Council (ERC);
- 'people': facilitating the mobility and career development of researchers in Europe and throughout the world;
- 'capacities': helping to develop the capacities Europe needs to become a prosperous knowledge-based economy.

In addition, a specific programme deals with the Joint Research Centre's non-nuclear activities.

The seventh Euratom framework programme came into force on 1 January 2007 and will end on 31 December 2011. It covers research activities on fusion energy, nuclear fission and radiation protection, the details of which are set out in a specific programme. In 2007 Estonia, Cyprus and Malta became members of the European Fusion Development Agreement, and are now invited to create transnational research units with other Euratom associations. Estonia has already created a research unit with Euratom's Finnish association. A further specific programme deals with the Joint Research Centre's nuclear activities.

During the first year of the seventh framework programme, the Commission adopted work programmes for the implementation of these specific programmes with a budget of about EUR 7 billion for 2007. It also adopted rules for the submission of proposals and the evaluation, selection and award procedures for the indirect actions under the two framework programmes.

The specific programme on cooperation for the first time provides for the setting-up of public-private partnerships through joint technology initiatives (JTIs) to stimulate research in six areas. With this in mind, in 2007 the Commission adopted five proposals for regulations on the establishment of joint undertakings in specific areas (which are crucial for competitiveness in the motor-vehicle, aerospace, multimedia, telecommunications, medical systems and transport industries, and for

the environment and industrial processing, especially in the field of information and communication technologies):

- on 10 May for innovative medicines <sup>(1)</sup>;
- on 15 May for embedded computing systems ('Artemis') <sup>(2)</sup>;
- on 13 June for green air-transport technologies ('Clean sky') <sup>(3)</sup>;
- on 22 June for nanoelectronics <sup>(4)</sup>;
- on 9 October for fuel cells and hydrogen <sup>(5)</sup> to accelerate the development of hydrogen technologies up to the stage of their commercial launch between 2010 and 2020.

A sixth JTI for the GMES (global monitoring for environment and security) joint initiative is also planned (see also 'Space policy' above).

The 'Ideas' specific programme provides for the setting-up of an agency in Europe, the European Research Council, which will offer a competitive funding mechanism at European level for exploratory research by individual teams: the ERC is one of the major innovations of the seventh framework programme.

Against this background, on 2 February the Commission adopted a decision <sup>(6)</sup> defining the ERC's structure, which comprises the Scientific Council, the ERC Secretary-General and the dedicated implementation structure. This structure is due to be transferred by the Commission to an executive agency <sup>(7)</sup>.

Along with the launching of the seventh framework programme, on 9 July the Commission adopted a proposal for a decision to revise the multiannual technical guidelines for the research programme of the Research Fund for Coal and Steel <sup>(8)</sup>. The new guidelines ensure the continuity of the initial rules and adapt these rules to take account of the experience gained during the first few years of implementation of this research programme, which was launched in 2003.

On 16 August the Commission adopted a communication 'Competitive European regions through research and innovation: a contribution to more growth and more and better jobs' <sup>(9)</sup>. It describes the synergies of design of the European research, innovation and cohesion policies, takes stock of the current situation and calls on

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<sup>(1)</sup> COM(2007) 241 (OJ C 181, 3.8.2007).

<sup>(2)</sup> COM(2007) 243 (OJ C 181, 3.8.2007).

<sup>(3)</sup> COM(2007) 315 (OJ C 191, 17.8.2007).

<sup>(4)</sup> COM(2007) 356 (OJ C 246, 20.10.2007).

<sup>(5)</sup> COM(2007) 571.

<sup>(6)</sup> Decision 2007/134/EC (OJ L 57, 24.2.2007).

<sup>(7)</sup> Regulation (EC) No 58/2003 (OJ L 11, 16.1.2003).

<sup>(8)</sup> COM(2007) 393 (OJ C 191, 17.8.2007).

<sup>(9)</sup> COM(2007) 474.

Member States and regions to make more effective use of European Union research, innovation and cohesion policies and instruments. The Commission stresses in particular that greater efforts could be made at the national and regional level to improve information about the instruments available and their use.

Similarly, on 6 September the Commission adopted a communication 'Nanosciences and nanotechnologies: an action plan for Europe 2005–09 — First implementation report 2005–07' <sup>(1)</sup>, and on 13 September the annual report on research and technological development activities of the European Union in 2006 <sup>(2)</sup>.

On 11 September the European Security Research and Information Forum was set up with the aim of developing a strategic security research and innovation plan involving European stakeholders and setting out European research needs and priorities in this area. In a communication published the same day, the Commission undertook to create mutual trust and pave the way for closer integration of security-related Community initiatives and between public and private bodies and research bodies <sup>(3)</sup>.

As part of the implementation of the seventh framework programme and the Community's participation in R & D programmes undertaken by several Member States (Article 169 of the EC Treaty), on 14 June the Commission adopted a proposal for improving the quality of life of the elderly using new information and communication technologies (see 'Promotion of information and communication technologies (ICT)' below) and on 12 September a proposal to support SMEs which perform research and development <sup>(4)</sup>.

In an opinion <sup>(5)</sup> of 26 September, the European Economic and Social Committee expressed the view that the European Union's economic commitment should be stepped up to improve the results of and investment in research and development, which should also take account of the Union's new objectives with regard to carbon dioxide emissions.

### ***International developments***

On 30 January an agreement was concluded with Japan for the joint implementation of broader approach activities in the field of fusion energy research.

With a view to associating South Korea with the European Community in the field of research, technological development and demonstration activities, a scientific and technological cooperation agreement was signed with that country on 27 March <sup>(6)</sup>.

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<sup>(1)</sup> COM(2007) 505 (OJ C 4, 9.1.2008).

<sup>(2)</sup> COM(2007) 519 (OJ C 4, 9.1.2008).

<sup>(3)</sup> COM(2007) 511 (OJ C 4, 9.1.2008).

<sup>(4)</sup> COM(2007) 514 (OJ C 4, 9.1.2008).

<sup>(5)</sup> OJ C 10, 15.1.2008.

<sup>(6)</sup> Decision 2007/241/EC (OJ L 106, 24.4.2007).

Similar agreements were signed with Switzerland <sup>(1)</sup> on 25 June, and Israel <sup>(2)</sup> on 10 July. The scientific and technological cooperation agreement with India <sup>(3)</sup> was renewed in November.

Following the signing of memoranda of understanding with the Commission on 13 June, Croatia, the former Yugoslav Republic of Macedonia and Serbia <sup>(4)</sup> are now eligible to participate in the seventh framework programme on the same terms as the Member States. The Commission signed a similar agreement with Turkey on 1 June.

The ‘associated countries’ can now participate in all calls for proposals under the seventh framework programme, including those launched since the beginning of the year. The agreement offers these countries’ researchers the same rights as Member States’ researchers to participate in all research activities under the programme.

### ***International thermonuclear experimental reactor***

For the International Thermonuclear Experimental Reactor (ITER) project, 2007 was an important year. Following its application on a temporary basis at the end of 2006, the ITER agreement came into force on 24 October, and the first ITER Council meeting was held in November.

On 27 March the Council adopted a decision <sup>(5)</sup> establishing a joint European undertaking for ITER and the development of fusion energy. It will manage the contribution of the European Atomic Energy Community to the ITER International Fusion Energy Organisation.

The joint undertaking has been established for 35 years and will be based in Barcelona. Its role will be extended to include the broader approach activities with Japan for the rapid realisation of fusion energy. Over the longer term, the joint undertaking will progressively implement a programme of activities aimed at the construction of a demonstration fusion reactor and related facilities, including the International Fusion Materials Irradiation Facility. The indicative total resources deemed necessary for the joint undertaking amount to EUR 9.653 billion (including EUR 1.717 billion for 2007–11).

### ***Joint Research Centre***

The Joint Research Centre (JRC) celebrated its 50th anniversary in 2007, the year that the seventh framework programme, including the specific programmes of the JRC, was launched.

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<sup>(1)</sup> Decision 2007/502/EC (OJ L 189, 20.7.2007).

<sup>(2)</sup> Decision 2007/585/EC (OJ L 220, 25.8.2007).

<sup>(3)</sup> COM(2007) 576 (OJ C 4, 9.1.2008).

<sup>(4)</sup> Including Kosovo as defined by UN Security Council Resolution 1244 of 10 June 1999.

<sup>(5)</sup> Decision 2007/198/Euratom (OJ L 90, 30.3.2007).

As part of its role of providing technical and scientific support for Community policies, the JRC contributed to the setting-up, on 15 March, of three new Community reference laboratories, which will support the national authorities in their work to prevent the contamination of food and animal feed by dangerous substances.

In connection with the fate of pollutants in terrestrial and aquatic ecosystems initiative (FATE), it prepared a new atlas to study the effect of nutrients, in particular agro-chemical nutrients, on the environment.

The JRC also presented the 'Bio4EU' study, which is assessing the impact of biotechnology on European industries, and launched the free application software Iucid 5, which is essential for the chemical industry to meet the requirements of the new REACH legislation (registration, evaluation, authorisation and restriction of chemicals).

The JRC has also developed a medical intelligence system 'MediSys', to identify public health threats by gathering and processing information published on the Internet.

The JRC also contributed towards monitoring the forest fires which occurred during the summer by providing satellite imaging and information generated by the European forest fire information system.

The JRC carried out several studies in support of the European Union's energy policies. In particular, it drew up a report which takes stock of the research capabilities of the Member States, and describes the technical measures which could be taken to reverse the present trend.

In the field of nuclear safeguards, the JRC provided national authorities, especially those in Belgium and Germany, with expertise on combating and tracing illicit nuclear materials.

## **Information society and media**

### ***General aspects — Coordination of the i2010 strategic initiative***

On 30 March the Commission adopted the 2007 annual information society report <sup>(1)</sup>, in which it considers that the record for 2006 is generally positive. The main indicators are moving in the right direction, and information and communication technologies (ICTs) are still a major factor in driving growth and innovation. On the policy side, the European Union's initiatives announced in June 2005 in the i2010 communication <sup>(2)</sup> are well on track. The Commission proposed that the mid-term review of the initiative in 2008 should address three issues: networks and the Internet, the role of users and

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<sup>(1)</sup> COM(2007) 146 (OJ C 181, 3.8.2007).

<sup>(2)</sup> COM(2005) 229 (OJ C 236, 24.9.2005).

their protection, including in terms of innovation, and strengthening the single market in ICT-related products and services.

### ***Electronic communications policy and network security***

On 1 June the Commission adopted a communication <sup>(1)</sup> setting out the findings and recommendations of an independent group of experts who evaluated the European Network and Information Security Agency (ENISA). In the communication the Commission also announced the launching of a public consultation and an impact assessment, including an analysis of the cost/benefit of extending the Agency and its future.

On 20 December the Commission proposed <sup>(2)</sup> amending the regulation establishing ENISA <sup>(3)</sup>. The proposal involved extending the Agency's mandate for two years.

### ***Legal framework***

In its 12th report on European electronic communications regulation and markets in 2006 <sup>(4)</sup>, presented on 29 March, the Commission focused on major developments on the electronic communications markets and the main regulatory issues.

On 27 June the European Parliament and the Council signed Regulation (EC) No 717/2007 <sup>(5)</sup> on roaming on public mobile telephone networks within the Community and amending Directive 2002/21/EC <sup>(6)</sup>. Under the regulation, charges for calls made within the European Union will be limited to 49 cents and those for calls received to 24 cents during the first year. These charges will fall to 46 cents and 22 cents respectively during the second year, and to 43 cents and 19 cents during the third year. The wholesale charge limits will be 30, 28 and 26 cents respectively.

On 11 July the Commission adopted its second report on market reviews under the European Union's regulatory framework <sup>(7)</sup>. It assesses the first three years of operation of the Community consultation mechanism for electronic communications and the experience gained so far from its application. Generally, this mechanism, which was introduced in preference to imposing regulatory measures, has made market analyses more consistent. However, the Commission believes there are still obstacles to the potential of the single market being fully exploited.

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<sup>(1)</sup> COM(2007) 285 (OJ C 191, 17.8.2007).

<sup>(2)</sup> COM(2007) 861.

<sup>(3)</sup> Regulation (EC) No 460/2004 (OJ L 77, 13.3.2004).

<sup>(4)</sup> COM(2007) 155 (OJ C 191, 17.8.2007).

<sup>(5)</sup> OJ L 171, 29.6.2007.

<sup>(6)</sup> OJ L 108, 24.4.2002.

<sup>(7)</sup> COM(2007) 401 (OJ C 246, 20.10.2007).

On 18 July the Commission adopted a communication 'Strengthening the internal market for mobile TV' <sup>(1)</sup>, the main objective of which is to promote the emerging mobile television market in the European Union. It identifies the three major areas for action considered essential for this purpose: technology and standards, authorisation regimes and spectrum.

On 22 August the Commission adopted a proposal for a decision on the selection and authorisation of systems providing mobile satellite services <sup>(2)</sup>. The proposal aims to facilitate the development of a competitive single market for mobile satellite services in the Community. These systems will provide innovative services ranging from high-speed Internet access to mobile television, public protection and disaster relief.

On 13 November the Commission adopted a set of legislative proposals <sup>(3)</sup> aimed at reforming the Community rules in the telecommunications sector. This reform should enable people throughout the European Union to benefit from better-quality communications services at lower prices. The reform provides for the setting-up of a European Electronic Communications Market Agency to help the Commission and the national regulatory authorities to ensure that market rules and consumer protection are applied uniformly and more consistently in the 27 Member States.

The reform proposal package also contains a new recommendation <sup>(4)</sup> on markets which should be subject to sectoral regulation. In view of the progress on competition and consumer choice made in recent years in most Member States, the Commission has concluded that in principle 10 of the 18 markets initially identified can be taken off the list.

### ***Radio spectrum policy***

On 8 February the Commission adopted a communication 'Rapid access to spectrum for wireless electronic communications services through more flexibility' <sup>(5)</sup>. It proposes defining the practical measures to be taken by 2010 to pave the way towards more flexible spectrum management. It also calls for agreement on a Community-wide set of proportionate rights and authorisation conditions which should apply in the selected spectrum bands.

In February the Commission also adopted two decisions on the harmonised use of radio spectrum in the 2 GHz frequency bands for the implementation of systems providing mobile satellite services <sup>(6)</sup>, and for equipment using ultra-wideband

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<sup>(1)</sup> COM(2007) 409 (OJ C 246, 20.10.2007).

<sup>(2)</sup> COM(2007) 480 (OJ C 246, 20.10.2007).

<sup>(3)</sup> COM(2007) 697, COM(2007) 698 and COM(2007) 699.

<sup>(4)</sup> COM(2007) 696.

<sup>(5)</sup> COM(2007) 50 (OJ C 138, 22.6.2007).

<sup>(6)</sup> Decision 2007/98/EC (OJ L 43, 15.2.2007).

technology <sup>(1)</sup>. Similarly, on 16 May it adopted a decision on the harmonised availability of information regarding spectrum use within the Community <sup>(2)</sup>.

On 2 July the Commission adopted a communication <sup>(3)</sup> informing the European Parliament and the Council about Community policies which could be affected by the conclusions of the World Radiocommunication Conference 2007. At its meeting on 1 and 2 October the Council adopted conclusions on this conference.

On 25 July the Commission adopted a proposal <sup>(4)</sup> to repeal the directive in force on the frequency bands reserved for GSM electronic communication services in order to allow these frequency bands to be used by systems capable of providing electronic communication services other than GSM.

On 13 November the Commission adopted a communication 'Reaping the full benefits of the digital dividend in Europe: a common approach to the use of the spectrum released by the digital switchover' <sup>(5)</sup>. The Commission proposed a common plan for the use of the radio frequencies released by the switch from analogue to digital television, thereby allowing for the development of new services such as wireless broadband.

### ***Promotion of information and communication technologies (ICTs)***

On 29 January the Commission adopted a communication on the implementation of the multiannual Community programme to make digital content in Europe more accessible, usable and exploitable (the 'eContentplus' programme) <sup>(6)</sup>. In it the Commission stated that the programme contributed to the objectives of the i2010 initiative, and especially the emergence of affordable and secure 'high bandwidth communications, rich and diverse content and digital services'.

On 14 February the Commission adopted a communication on scientific information in the digital age (access, dissemination and preservation) <sup>(7)</sup>. The communication comes from two policy strands: the digital libraries initiative and the Community research policy. It covers access to and the dissemination of scientific information, and the preservation of digital material.

On 15 March the Commission adopted a communication 'Radio-frequency identification (RFID) in Europe: steps towards a policy framework' <sup>(8)</sup>. RFID is a radio-frequency identification system that uses a micro-chip and radio waves to enable

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<sup>(1)</sup> Decision 2007/131/EC (OJ L 55, 23.2.2007).

<sup>(2)</sup> Decision 2007/344/EC (OJ L 129, 17.5.2007).

<sup>(3)</sup> COM(2007) 371 (OJ C 191, 17.8.2007).

<sup>(4)</sup> COM(2007) 367 (OJ C 191, 17.8.2007).

<sup>(5)</sup> COM(2007) 700.

<sup>(6)</sup> COM(2007) 28 (OJ C 181, 3.8.2007).

<sup>(7)</sup> COM(2007) 56 (OJ C 181, 3.8.2007).

<sup>(8)</sup> COM(2007) 96 (OJ C 181, 3.8.2007).

objects, animals or persons bearing a data-emitting tag to be recognised or identified from a greater or lesser distance and in the shortest possible time. RFIDs are today seen as the likely gateway to a new phase of development of the information society, often referred to as the 'Internet of things'. The Commission announced its intention to monitor developments in this field closely and, by the end of 2008, to publish a communication analysing these developments and their effects.

On 14 June the Commission adopted a communication 'Ageing well in the information society: an i2010 initiative — Action plan on information and communication technologies and ageing' <sup>(1)</sup>. In it the Commission addresses the market barriers for ICT services and tools. It seeks to make use of opportunities, particularly for older people, by raising awareness, building common strategies, removing technical and regulatory hurdles, and promoting ICT take-up, joint research and innovation. On the same day the Commission adopted a proposal for a decision on the Community's participation in an R & D programme to enhance the quality of life of older people through the use of new ICTs, to be undertaken by several Member States <sup>(2)</sup>. This proposal is an essential part of the Commission's action to respond to the demographic challenge faced by all European Union countries.

On 6 July the Commission adopted a report on the implementation and effectiveness of the '.eu' top-level domain <sup>(3)</sup>. In it the Commission stresses the great popularity of the domain, which has resulted in far more registrations than expected. The report states that the start-up phase of the '.eu' domain was managed efficiently overall by the registry and that the legal framework set up to prevent abuse of the system also performed well.

On 7 September the Commission presented a communication 'E-skills for the 21st century: fostering competitiveness, growth and jobs' <sup>(4)</sup>. This long-term agenda includes key components that may serve as a basis for the development and implementation of consistent strategies and measures for e-skills, which are crucial for promoting innovation, productivity and employability and meeting the challenges of globalisation.

From 18 June to 1 October the Commission conducted an online public consultation to prepare the European Union's strategy on ICTs.

On 8 November the Commission adopted a communication 'To be part of the information society' <sup>(5)</sup> relating to the European i2010 initiative on e-inclusion. It proposes a European initiative on the subject and a strategic action framework to implement the 2006 Riga ministerial declaration on inclusion in the information

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<sup>(1)</sup> COM(2007) 332 (OJ C 191, 17.8.2007).

<sup>(2)</sup> COM(2007) 329 (OJ C 191, 17.8.2007).

<sup>(3)</sup> COM(2007) 385 (OJ C 191, 17.8.2007).

<sup>(4)</sup> COM(2007) 496 (OJ C 4, 9.1.2008).

<sup>(5)</sup> COM(2007) 694.

society. In particular, the Commission will work towards raising awareness and combining efforts in 2008 through an e-inclusion campaign known as 'e-Inclusion, be part of it!' and will help to ensure a horizontal legislative approach to create an accessible information society in order to guarantee equal rights and the effectiveness of the single market.

### ***Audiovisual and media policy***

On 11 December the European Parliament and the Council signed a directive <sup>(1)</sup> to update the rules in the audiovisual services sector. It provides a legal framework that covers all audiovisual media services, less detailed and more flexible regulation and modernised rules on TV advertising to improve the funding of audiovisual content.

On 20 December the Commission adopted a communication 'A European approach to media literacy in the digital environment' <sup>(2)</sup> in response to calls from Parliament. It supplements the European Union's audiovisual policy. It is linked to the audiovisual media services directive and the MEDIA 2007 programme. The Commission wishes to promote the development and exchange of good practices in media literacy in the digital environment through existing programmes and initiatives. It will also encourage research into criteria for assessing media literacy.

### ***Research and development of information society technologies***

On 17 September the Commission presented a communication 'Towards Europe-wide safer, cleaner and efficient mobility: the first intelligent car report' <sup>(3)</sup>, which focuses on road vehicles and infrastructures and builds on advanced information and communication technologies to address the safety and environmental challenges arising from increased road use.

On 11 December the Commission adopted a communication 'Pre-commercial procurement: driving innovation to ensure sustainable high-quality public services in Europe' <sup>(4)</sup>. It seeks to raise awareness about the opportunities available to the European public sector for the procurement of R & D services as a way of obtaining products and services that ultimately meet its needs better, and of boosting innovation.

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<sup>(1)</sup> Directive 2007/65/EC (OJ L 332, 18.12.2007).

<sup>(2)</sup> COM(2007) 833.

<sup>(3)</sup> COM(2007) 541 (OJ C 4, 9.1.2008).

<sup>(4)</sup> COM(2007) 799.

## Education and training

### Background

*In connection with the relaunch of the Lisbon strategy, the 2005 spring European Council deemed human capital to be Europe's greatest asset. It therefore called on the Member States to step up their efforts to raise the general standard of education and reduce the number of early school-leavers, in particular by continuing with the education and training 2010 work programme designed to dovetail with the Lisbon strategy. The European Council also stressed that lifelong learning is a sine qua non for achieving the Lisbon objectives. For its part, the Commission paid particular attention to the modernisation of education and training systems, especially at European universities.*

*In 2006 the Council stressed the dual socioeconomic role of education and training, and the need for greater effort with regard to reform in two areas: targeted investment and improved governance.*

### Education and training 2010 work programme

On 21 February the Commission adopted a communication <sup>(1)</sup> on a framework of indicators for monitoring progress towards the Lisbon objectives in education and training in conjunction with the more detailed objectives of the education and training 2010 programme <sup>(2)</sup>. Eight main areas of intervention make up this general assessment framework, this in turn being supported where necessary by a more concentrated set of 20 core indicators and indicator areas as well as other European benchmarks, such as the proportion of early school-leavers and the average level of participation in lifelong learning.

In May in its conclusions on 'a coherent framework of indicators and benchmarks for monitoring progress towards the Lisbon objectives in education and training', the Council recognised the importance of the continuous and concerted efforts of the Member States and of the Commission to develop such a framework. It called on them to maintain their close cooperation.

On 3 August the Commission presented a communication 'Improving the quality of teacher education' <sup>(3)</sup>. In appraising the current situation, it wished to encourage and support the national reforms envisaged by the Member States to adapt their education and teacher-training systems to the changes in the labour market and society in general. To this end it offered the Member States a set of guidelines which can provide a common framework for the development of their policies and practices.

<sup>(1)</sup> COM(2007) 61 (OJ C 138, 22.6.2007).

<sup>(2)</sup> COM(2003) 685 (OJ C 96, 21.4.2004).

<sup>(3)</sup> COM(2007) 392 (OJ C 246, 20.10.2007).

On 12 July the Commission also launched a public consultation, open until 15 December, on the development and modernisation of school education in the Member States.

On 27 September the Commission adopted an 'Action plan on adult learning — It is always a good time to learn' <sup>(1)</sup>. A working group was set up at the end of 2007 to help the Commission and the Member States to delineate measures and projects under this action plan and see to its further implementation.

In its 12 November report 'Delivering lifelong learning for knowledge, creativity and innovation' <sup>(2)</sup> on the implementation of the education and training 2010 work programme, the Commission took stock of progress in modernising the education and training systems in Europe and also highlighted their development prospects with a view to contributing to implementation of the new integrated guidelines for growth and jobs.

In its resolutions of 15 November 'Education and training as a key driver of the Lisbon strategy' and 'New skills for new jobs', the Council stressed the importance of the contribution made by education and training to attaining the Lisbon goals, and in particular the links with other policy areas such as employment, social affairs, innovation, enterprise and research.

### ***Lifelong learning programme***

The year 2007 was the first year of implementation of the lifelong learning programme 2007–13 <sup>(3)</sup>. Through this the Commission provided subsidies for projects in the fields of school (Comenius), university (Erasmus), vocational (Leonardo da Vinci) and adult (Grundtvig) education. It also supported crosscutting measures on political cooperation, languages, information and communication technologies and the exploitation and dissemination of results. In addition the Commission published the political priorities for the programme for 2008–10 <sup>(4)</sup>.

### ***European Institute of Innovation and Technology***

In 2007 the Commission continued negotiations with the European Parliament and the Council on its proposal for a regulation establishing the European Institute of Technology <sup>(5)</sup>, which aims to strengthen the innovative capacity of the Community and the Member States by involving the best actors in the knowledge triangle (research teams, enterprises and public authorities). This communication engendered

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<sup>(1)</sup> COM(2007) 558 (OJ C 4, 9.1.2008).

<sup>(2)</sup> COM(2007) 703.

<sup>(3)</sup> Decision 1720/2006/EC (OJ L 327, 24.11.2006).

<sup>(4)</sup> [http://ec.europa.eu/education/programmes/llp/call08/prior\\_en.pdf](http://ec.europa.eu/education/programmes/llp/call08/prior_en.pdf)

<sup>(5)</sup> COM(2006) 604 (OJ C 332, 30.12.2006).

favourable opinions from the Committee of the Regions <sup>(1)</sup> and the European Economic and Social Committee <sup>(2)</sup>. On 25 June the Council, for its part, adopted a general approach on the Institute. Parliament, in turn, expressed the wish, in a resolution of 26 September, that the Institute's name should include the word 'innovation' and that it should not be set up until after the successful completion of an initial feasibility and testing phase. Discussions on the point concerning the Institute resulted in a political agreement in the Council on 23 November.

### ***Multilingualism***

On 13 April the Commission adopted a communication 'Framework for the European survey on language competences' <sup>(3)</sup>. This survey will provide knowledge about the multilingual capacities of young people, on where good practice and performance can be found, and on progress towards the objective of improving foreign-language learning.

On 25 September the Commission adopted a report on the implementation of the 'Promoting language learning and language diversity' action plan <sup>(4)</sup>. The report concluded that the Member States have made efforts towards a considerable number of goals set out in the action plan and that emphasis must now be put on adult language learning, widening the range of stakeholders to include the business sector, continuous vocational training, and informal language learning through the media and cultural activities.

### ***International cooperation***

The Tempus III programme for the modernisation of the higher-education systems and institutions of countries neighbouring the European Union having entered its final phase in 2007, the Commission has prepared the new phase of the programme (Tempus IV). The results of assessments and consultations of its principal beneficiaries have enabled some improvements to this new phase.

In April a joint declaration on the strengthening of cooperation between the European Union and Australia was signed. It envisages the organisation of joint consortia projects and an action-oriented political dialogue on issues such as the Bologna process, quality assurance, the setting of benchmarks and reference points, efficiency and fairness, and qualifications frameworks.

On 12 July the Commission adopted a proposal for a decision renewing the Erasmus Mundus programme for 2009–13 <sup>(5)</sup>, with a budget slightly in excess of EUR 950 million.

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<sup>(1)</sup> OJ C 146, 30.6.2007.

<sup>(2)</sup> OJ C 161, 13.7.2007.

<sup>(3)</sup> COM(2007) 184 (OJ C 181, 3.8.2007).

<sup>(4)</sup> COM(2007) 554.

<sup>(5)</sup> COM(2007) 395 (OJ C 191, 17.8.2007).

Launched in 2004, Erasmus Mundus is a key external policy project of the Commission in the field of higher education: more than 4 000 students from 100 non-member countries have benefited under the programme, as well as some 270 European and 100 non-European universities. This second programme was established on the basis of the report <sup>(1)</sup> on the interim evaluation of the Erasmus Mundus programme for 2004–08, and is divided into three parts, covering joint programmes, partnerships with non-member countries' higher education institutions, and enhancing the attractiveness of European higher education.

In the interest of taking account of developments in the European Union's policy outlook in both the education and training and the external relations fields, on 25 July the Commission proposed <sup>(2)</sup> a recasting of the European Training Foundation's founding regulation <sup>(3)</sup>.

The date 14 September saw the launching of the cooperation projects with the United States under the Atlantis agreement. Their objective is to encourage transatlantic academic cooperation through innovative student exchanges leading to double degrees, the drafting of joint programmes and policy studies.

## **Transport**

On 23 October the European Parliament and the Council signed the public-service obligation regulation on public passenger transport services by rail and by road <sup>(4)</sup>.

On 18 October the Commission adopted the 'goods transport in Europe' package. It comprises two communications, 'The EU's freight transport agenda: boosting the efficiency, integration and sustainability of freight transport in Europe' <sup>(5)</sup>, and 'Freight transport logistics action plan' <sup>(6)</sup>, as well as communications concerning rail transport and maritime transport (see below).

### ***Rail transport***

On 23 October the European Parliament and the Council adopted the third package of railway measures, which aims to make rail transport more competitive and more attractive. This rail transport package comprises:

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<sup>(1)</sup> COM(2007) 375 (OJ C 191, 17.8.2007).

<sup>(2)</sup> COM(2007) 443.

<sup>(3)</sup> Regulation (EEC) No 1360/90 (OJ L 131, 23.5.1990).

<sup>(4)</sup> Regulation (EC) No 1370/2007 (OJ L 315, 3.12.2007).

<sup>(5)</sup> COM(2007) 606.

<sup>(6)</sup> COM(2007) 607.

- a regulation <sup>(1)</sup> on the rights and obligations of rail passengers, which is intended to enhance and improve these passengers' rights. It covers all journeys and rail services provided throughout the Community by one or more railway undertakings;
- a directive <sup>(2)</sup> amending Directive 91/440/EEC on the development of the Community's railways. This directive provides for the opening-up to competition of the international rail passenger transport services market in 2010 and includes the right for international trains to provide cabotage services, i.e. to take up and set down passengers at stations in the same Member State;
- a directive <sup>(3)</sup> on the certification of train drivers operating locomotives and trains on the railway system in the Community.

On 18 October the Commission adopted a communication on monitoring development of the rail market <sup>(4)</sup>. The communication provides a first statistical analysis of development of the rail market and lays the foundation for regular reporting. In particular it presents the regulatory and institutional framework established for the purpose of liberalising this market, the degree of that liberalisation, the development of the rail market from the point of view of goods and passenger transport performance, and the financial performance of the sector, including information on the capacity of rail infrastructure and on development of the supply industry.

The logistics package for freight adopted by the Commission on 18 October includes a communication 'Towards a rail network giving priority to freight' <sup>(5)</sup>, which aims to make rail freight transport more competitive, in particular by reducing transit times and improving the reliability of rail and its responsiveness to customers' demands.

### **Road transport**

The first European Road Safety Day was organised on 27 April, an occasion which also saw the first publication by the Commission of the results of the 'SafetyNet' project. In association with the project, which was funded by the Commission, the European Road Safety Observatory produced a major study on performance indicators for road safety which helped in the development of a European road safety scoreboard.

On 23 May the Commission adopted a legislative package containing three proposals aiming to regulate admission to the occupation and access to the market in the road haulage and passenger transport sector in order to ensure more safety and better conditions on the market. The package includes a proposal for a regulation on common rules for admission to the occupation of road transport operator <sup>(6)</sup>. A second proposal

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<sup>(1)</sup> Regulation (EC) No 1371/2007 (OJ L 315, 3.12.2007).

<sup>(2)</sup> Directive 2007/58/EC (OJ L 315, 3.12.2007).

<sup>(3)</sup> Directive 2007/59/EC (OJ L 315, 3.12.2007).

<sup>(4)</sup> COM(2007) 609.

<sup>(5)</sup> COM(2007) 608.

<sup>(6)</sup> COM(2007) 263 (OJ C 191, 17.8.2007).

for a regulation concerns common rules for access to the market for transport services by coach and bus <sup>(1)</sup>. Lastly, the Commission proposed a regulation on common rules for access to the international road haulage market <sup>(2)</sup>.

On 25 September the Commission adopted a Green Paper 'Towards a new culture for urban mobility' <sup>(3)</sup>. The Green Paper addresses the main challenges related to urban mobility by five main themes: towards free-flowing towns and cities; towards greener towns and cities; towards smarter urban transport; towards accessible urban transport; towards safe and secure urban transport. It then looks at ways of contributing to the creation of a new culture for urban mobility, and tackles the question of financial resources and how to use them for the development of sustainable urban mobility. The Commission's Green Paper launches a debate on various options which serve as a basis for 25 questions. The public consultation will remain open until the beginning of 2008 and an action plan will be presented at the start of autumn 2008.

On 19 December the Commission adopted a proposal for a directive on the promotion of clean and energy-efficient road transport vehicles <sup>(4)</sup>. The proposal aims to reduce fuel consumption as well as CO<sub>2</sub> and pollutant emissions from road vehicles. A substantial reduction could be achieved by public authorities procuring clean and energy-efficient vehicles to introduce into their public transport fleets. Residents of urban areas will be the major beneficiaries of these measures.

### ***Maritime transport***

On 7 June the Council adopted a decision <sup>(5)</sup> authorising Member States to ratify, in the interests of the European Community, the Maritime Labour Convention 2006 of the International Labour Organisation.

The package of maritime policy measures was adopted by the Commission on 10 October. The Commission presented the conclusions <sup>(6)</sup> of the consultation on a maritime policy for the Union launched with the adoption of the Green Paper 'Towards a future maritime policy for the Union: a European vision for the oceans and seas' <sup>(7)</sup>. The consultation culminated in the proposal for an integrated maritime policy for the European Union <sup>(8)</sup>. This new policy aims at a thriving maritime economy and the full use of the sea's potential in an environmentally sustainable manner. It will require an integrated, cross-sectoral approach to maritime affairs, and the development and delivery of a coherent and wide-ranging work programme.

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<sup>(1)</sup> COM(2007) 264.

<sup>(2)</sup> COM(2007) 265.

<sup>(3)</sup> COM(2007) 551 (OJ C 4, 9.1.2008).

<sup>(4)</sup> COM(2007) 817.

<sup>(5)</sup> Decision 2007/431/EC (OJ L 161, 22.6.2007).

<sup>(6)</sup> COM(2007) 574.

<sup>(7)</sup> COM(2006) 275.

<sup>(8)</sup> COM(2007) 575.

The package of freight logistics measures adopted by the Commission on 18 October also included a communication on a European ports policy <sup>(1)</sup>, a consultation document on the new concept of a European maritime transport space without barriers, and a progress report and a consultation on the motorways of the sea.

As part of the 10 October package, with regard to the social dimension the Commission adopted a communication on reassessing the regulatory social framework for more and better seafaring jobs in the European Union <sup>(2)</sup>, and on 16 October a proposal for a directive on the minimum level of training of seafarers (recasting) <sup>(3)</sup>.

### ***Inland navigation***

On 5 December the Commission presented a first progress report on the implementation of the Naiades action programme for the promotion of inland waterway transport <sup>(4)</sup>. According to this first report, progress has been made in many areas, in particular the launching of initiatives to improve market conditions, modernise the fleet, make the profession more attractive and improve inland waterway infrastructure. It also indicates the next stages of implementation of the programme.

In the area of international developments, on 7 June the Council adopted, on the basis of the Commission recommendation of 12 May 2003, a decision authorising the Commission to negotiate with the Danube Commission terms and conditions for the European Community's accession to the Belgrade Convention.

### ***Air transport***

In order to combat growing airport congestion and overcrowding of European airspace and to boost the economic competitiveness of the sector, the Commission adopted several initiatives in 2007.

On 24 January the Commission adopted a communication 'An action plan for airport capacity, efficiency and safety in Europe' <sup>(5)</sup>. In this it sets out an action plan for applying a strategy to decongest Europe's airports. It proposes five main measures: make better use of existing capacity; adopt a consistent approach to air safety operations at aerodromes; promote 'co-modality', the integration and collaboration of the transport modes; improve the environmental capacity of airports and the planning framework for new airport infrastructure; develop and implement cost-efficient technological solutions.

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<sup>(1)</sup> COM(2007) 616.

<sup>(2)</sup> COM(2007) 591 (OJ C 4, 9.1.2008).

<sup>(3)</sup> COM(2007) 610 (OJ C 4, 9.1.2008).

<sup>(4)</sup> COM(2007) 770.

<sup>(5)</sup> COM(2006) 819 (OJ C 138, 22.6.2007).

The communication was accompanied by a proposal for a directive on airport charges <sup>(1)</sup>. The proposal aims to induce airport operators to follow principles of non-discrimination and transparency and to consult airport users when setting airport charges.

On 27 February the Council adopted a regulation <sup>(2)</sup> on the establishment of a joint undertaking to develop the new generation European air traffic management system (SESAR). The seat of the joint undertaking will be located in Brussels. Its main task is to manage the SESAR project's research, development and validation activities by combining public-sector financing with the private funding provided by its members and using external technical resources and in particular Eurocontrol's experience and expertise.

On 15 March the Commission adopted a communication 'State of progress with the project to implement the new generation European air traffic management system (SESAR) <sup>(3)</sup>, in which it reported on the state of play with SESAR and in particular on industry participation in the project's development phase.

The same day the Commission presented a mid-term status report on building the single European sky through functional airspace blocks <sup>(4)</sup>. Even though almost all Member States have launched initiatives to create such tools in order to transform a mosaic of fragmented systems into regional blocks, the Commission sees a need for a redoubling of effort to reach the defragmentation objectives laid down in Regulation (EC) No 551/2004 <sup>(5)</sup>.

On 4 April the Commission adopted a communication <sup>(6)</sup> on the operation and the results of the regulation establishing common rules on compensation and assistance to passengers in the event of denied boarding and of cancellation or long delay of flights <sup>(7)</sup>. The Commission stressed that the enlargement of the scope of passengers' rights is insufficiently implemented and called for clarification and monitoring.

On 15 November the Commission adopted a communication <sup>(8)</sup> on the application of the regulation on the allocation of slots at Community airports <sup>(9)</sup>. The Commission notes that the regulation has brought some improvements in the use of scarce airport capacity, but it considers that the scope for introducing local guidelines should be expanded and a more structured approach to market-based slot allocation schemes should be introduced.

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<sup>(1)</sup> COM(2006) 820 (OJ C 138, 22.6.2007).

<sup>(2)</sup> Regulation (EC) No 219/2007 (OJ L 64, 2.3.2007).

<sup>(3)</sup> COM(2007) 103 (OJ C 181, 3.8.2007).

<sup>(4)</sup> COM(2007) 101 (OJ C 138, 22.6.2007).

<sup>(5)</sup> OJ L 96, 31.3.2004.

<sup>(6)</sup> COM(2007) 168 (OJ C 191, 17.8.2007).

<sup>(7)</sup> Regulation (EC) No 261/2004 (OJ L 46, 17.2.2004).

<sup>(8)</sup> COM(2007) 704.

<sup>(9)</sup> Regulation (EC) No 793/2004 (OJ L 138, 30.4.2004).

The same day the Commission adopted a proposal for a regulation <sup>(1)</sup> to simplify and modernise the rules on computerised reservation systems (CRSs). The revised rules will allow CRSs and subscribing travel agents to expand their offer and compete more effectively in the airline ticket distribution market.

On 28 November the Commission adopted an update of the Community 'blacklist' of air carriers banned from operating in the European Union <sup>(2)</sup>. Following corrective action on their part a number of companies have been taken off the list; providing the best possible proof that the list is working as it should and having a positive impact.

On 20 December the Commission adopted a progress report on implementation of the 'single sky' legislation <sup>(3)</sup>. The report points to some achievements but finds that progress has been inadequate, often as a result of the reluctance of the Member States to share their sovereignty in this area; hence the Commission's intention to accelerate implementation by focusing on improving performance and clarifying the legal framework.

### ***Intermodal approach***

#### **Galileo**

On 16 May <sup>(4)</sup> and 19 September <sup>(5)</sup> the Commission adopted communications on re-profiling the European (global navigation satellite system) GNSS programmes and, on 19 September, it also adopted an amended proposal <sup>(6)</sup> for a regulation on the further implementation of the European satellite radionavigation programmes, EGNOS (European Geostationary Navigation Overlay Service) and Galileo. It considered that the failure of the negotiations on a concession contract for the deployment and commercial operation of Galileo and the consequential rescheduling of the programme called for amendments to its original proposal for a regulation. It fixed the amount of budgetary resources at EUR 3.4 billion for the period 1 January 2007 to 31 December 2013.

At its meeting of 29 and 30 November the Council adopted conclusions concerning the future development of Galileo which define the principles for financing, governance and policy as regards the award of contracts. With the conclusions of the Council and the agreement of 23 November on the financing of the programme, the Commission is now assured it has the means to implement the next phase of the European GNSS programmes, which covers ensuring EGNOS' operational availability within the next two years, awarding contracts for Galileo and bringing a Galileo operational system

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<sup>(1)</sup> COM(2007) 709.

<sup>(2)</sup> Regulation (EC) No 1400/2007 (OJ L 311, 29.11.2007).

<sup>(3)</sup> COM(2007) 845.

<sup>(4)</sup> COM(2007) 261 (OJ C 191, 17.8.2007).

<sup>(5)</sup> COM(2007) 534 (OJ C 4, 19.1.2008).

<sup>(6)</sup> COM(2007) 535.

into being by 2013. The deployment of Galileo will be carried out and financed by the Community.

In its conclusions the Council reaffirmed the importance of the European GNSS programmes EGNOS and Galileo as a key project for the European Union, and supported, as an overall programme objective for Galileo, the deployment by 2013 of a European satellite navigation system providing five navigation services.

### ***International developments***

On 9 January the Commission adopted a communication on developing a Community civil aviation policy towards Canada <sup>(1)</sup>. The Council's decision mandating the Commission was adopted on 2 October.

On 25 April the Council adopted a decision <sup>(2)</sup> on the signing and provisional application of the air transport agreement with the United States, which was signed in Washington on 30 April. This first transatlantic aviation agreement establishes for the first time a single framework for air transport between the European Union and the United States and will allow European and US airline companies to operate without constraint between any Community airport and any US airport. Furthermore, the agreement introduces cooperation in key areas for aviation (competition, State aid, safety, etc.), thanks to cooperation bodies (joint committees) and a system for settling disputes.

On 7 May the Council adopted a decision on the signing and provisional application of the agreement with Russia on agreed principles of the modernisation of the existing system of utilisation of the trans-Siberian routes. The aim of the agreement is to end the system of Siberian overflight payments (royalties) by European companies by 2013.

With regard to Community agreements with non-member countries on certain aspects of air services, on 30 May the Council adopted a decision <sup>(3)</sup> on the signing and provisional application of agreements with Kyrgyzstan. It adopted similar decisions with Jordan on 25 June and the United Arab Emirates on 30 October; this agreement was signed on 30 November. On 18 June the Council adopted a decision on the signing of an agreement with Panama and a decision <sup>(4)</sup> on the conclusion of an agreement with New Zealand on 18 September. On 26 April the Commission adopted a proposal for a decision <sup>(5)</sup> relating to the signing, provisional application and conclusion of the agreement between the European Community and Vietnam. The Commission also

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<sup>(1)</sup> COM(2006) 871 (OJ C 126, 7.6.2007).

<sup>(2)</sup> Decision 2007/339/EC (OJ L 134, 25.5.2007).

<sup>(3)</sup> Decision 2007/470/EC (OJ L 179, 7.7.2007).

<sup>(4)</sup> Decision 2007/633/EC (OJ L 256, 2.10.2007).

<sup>(5)</sup> COM(2007) 221 (OJ C 181, 3.8.2007).

proposed similar decisions with Armenia on 20 November <sup>(1)</sup> and with the government of Mongolia on 21 November <sup>(2)</sup>. The aim of these decisions is to bring Member States' existing bilateral aviation agreements with those non-member countries into line with Community law. On 30 November the Council gave the Commission a negotiating mandate to set up an agreement with Jordan in the aviation field.

On 9 November the Commission adopted a communication 'Developing a common aviation area with Israel' <sup>(3)</sup>. The objectives set out in the communication are the opening up of the market in order to create new economic opportunities and new possibilities for investment, and the launching of a process of convergence in the area of regulation, making it possible to apply uniform conditions for fair and equitable competition.

### ***Trans-European transport networks (TEN-T)***

On 31 January the Commission adopted a communication 'Extension of the major trans-European transport axes to the neighbouring countries — Guidelines for transport in Europe and neighbouring regions' <sup>(4)</sup>. The aim of this first step towards a transport policy integrating the neighbouring countries is to ensure that legislation, standards and technical specifications of the European Union's main trade partners are compatible with its own.

In a 21 March communication 'Trans-European networks: towards an integrated approach' <sup>(5)</sup>, the Commission described the state of play for the trans-European transport, energy and telecommunications networks. It recommended the development of synergies between the trans-European networks with a view to exchanging best practice and finding financial solutions.

On 20 June the European Parliament and the Council adopted the regulation <sup>(6)</sup> laying down general rules for the granting of Community financial aid in the field of the trans-European transport and energy networks.

On 21 November the Commission presented its proposals <sup>(7)</sup> for the financing of TEN-T projects over the period 2007–13. The Commission gave priority to cross-border projects and environmentally sustainable modes of transport such as inland waterways and rail.

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<sup>(1)</sup> COM(2007) 729.

<sup>(2)</sup> COM(2007) 731.

<sup>(3)</sup> COM(2007) 691.

<sup>(4)</sup> COM(2007) 32 (OJ C 138, 22.6.2007).

<sup>(5)</sup> COM(2007) 135 (OJ C 181, 3.8.2007).

<sup>(6)</sup> Regulation (EC) No 680/2007 (OJ L 162, 22.6.2007).

<sup>(7)</sup> IP/07/1744.

## Energy

### **General approach**

On 10 January the Commission proposed an integrated energy and climate change package to cut greenhouse gas emissions and boost the Union's energy security and competitiveness.

In its communication 'An energy policy for Europe' <sup>(1)</sup>, the Commission advocated a common energy policy to provide Europe with competitive and sustainable energy, the main thrusts of which are the fight against climate change, boosting competitiveness with a regulatory framework conducive to it and limiting the European Union's dependence on gas and oil imports. With this communication the Union is setting itself the ambitious objective of reducing greenhouse gas emissions by 20 % by 2020 and of going even further (up to 30 % in the same period) in the framework of an international agreement. The communication highlights the promotion of renewable energy and the improvement of energy efficiency as well as the completion of the single market in electricity and gas and a consistent external energy policy. It also stresses the importance of internal and external solidarity between Member States. The communication presents an action plan for 2007–09 and is accompanied by an initial package of specific proposals.

In the same connection, pursuant to Article 40 of the Euratom Treaty <sup>(2)</sup> the Commission prepared a communication on the nuclear illustrative programme <sup>(3)</sup>. Following a favourable opinion from the European Economic and Social Committee <sup>(4)</sup>, the Commission adopted this communication <sup>(5)</sup>. It reviews investments in the nuclear field over the last 10 years and describes the economic aspects of nuclear energy production, its impact on the energy mix and the conditions for its acceptability by society. The Commission stresses that it is for each Member State to decide whether or not to opt for nuclear. It points out that even though nuclear may make up an important part of the European Union's energy mix, it is essential to continue looking at safety and security issues.

At the European Council of 8 and 9 March, the foundations for a European energy policy, including commitments, binding targets and procedures, were adopted:

- with regard to climate change, an independent commitment by the Union to reduce greenhouse-gas emissions by at least 20 % by 2020 compared with 1990

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<sup>(1)</sup> COM(2007) 1 (OJ C 138, 22.6.2007).

<sup>(2)</sup> Article 40 of the Euratom Treaty requires the Commission to 'periodically publish illustrative programmes indicating in particular nuclear energy production targets and all the types of investment required for their attainment'.

<sup>(3)</sup> COM(2006) 844 (OJ C 138, 22.6.2007).

<sup>(4)</sup> OJ C 256, 27.10.2007.

<sup>(5)</sup> COM(2007) 565.

and a commitment to a 30 % reduction if other developed countries undertake to make comparable emission reductions;

- as regards the single market for gas and electricity, effective separation of supply and production activities from network operations (unbundling);
- as regards renewable energies, the binding target of 20 % by 2020 with a minimum share of biofuels of 10 % of overall petrol and diesel consumption in the European Union.

The European nuclear energy forum, launched by the Commission and supported by the March European Council, was inaugurated in Bratislava on 26 November. The forum brings together the various stakeholders for a broad, open discussion on the opportunities and risks of nuclear energy, and will meet twice a year under the aegis of the Czech Republic and Slovakia and under the responsibility of the Commission.

On 30 March the Commission adopted the work programme for implementing the 2007 intelligent energy Europe II programme (IEE II), which now forms an integral part of the competitiveness and innovation framework programme. In association with this programme, the Commission also decided <sup>(1)</sup> to establish the Executive Agency for Competitiveness and Innovation with responsibility in particular for implementation of IEE II, which also allows the Commission's departments to concentrate on strategic tasks essential to the promotion of renewable energy and energy efficiency.

On 5 July the Commission adopted a communication 'Towards a European charter on the rights of energy consumers' <sup>(2)</sup>. This follows up the communications of 10 January concerning, respectively, energy policy (see above) and the gas and electricity market (see below), in which the Commission committed itself to ensuring that the interests of consumers are fully taken into account. The new communication outlines points that could form part of a future charter of energy consumers' rights.

### ***Internal market for energy***

In its package of 10 January the Commission included a communication 'Prospects for the internal gas and electricity market' <sup>(3)</sup>, which sounded the alarm on the present state of the internal market. The final report of the sectoral inquiry on competition <sup>(4)</sup> demonstrated that numerous restrictions on free competition, and in particular obstacles to infrastructure access, lack of investment in interconnections and excessive market concentration, have not yet allowed a truly competitive gas and electricity market to be created.

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<sup>(1)</sup> Decision 2007/372/EC (OJ L 140, 1.6.2007).

<sup>(2)</sup> COM(2007) 386 (OJ C 191, 17.8.2007).

<sup>(3)</sup> COM(2006) 841 (OJ C 138, 22.6.2007).

<sup>(4)</sup> COM(2006) 851 (OJ C 138, 22.6.2007).

As regards interconnections, on the same day the Commission adopted a communication 'Priority interconnection plan'<sup>(1)</sup>, the objective of which is to prepare an interconnection plan, to facilitate the completion of priority infrastructure projects contributing to the diversification of energy supply and to integrate regional markets into the single market. On 12 September the Commission designated four European coordinators to facilitate the implementation of three projects for electricity interconnections and a major gas pipeline project, Nabucco.

In a resolution of 10 July on prospects for the internal gas and electricity market, the European Parliament advocated separating ownership of the energy networks from the energy operators' other activities as a means of promoting investment in infrastructure, fair access to the grid for new entrants and transparency in the market.

On 19 September the Commission adopted a package of legislative proposals with the object of completing the single market in electricity and natural gas, in which it proposes:

- amending Directives 2003/54/EC and 2003/55/EC concerning common rules for the internal market in, respectively, electricity<sup>(2)</sup> and natural gas<sup>(3)</sup>;
- adopting a regulation establishing an Agency for the Cooperation of Energy Regulators<sup>(4)</sup>; and
- amending Regulations (EC) Nos 1228/2003 and 1775/2005 on conditions for access to, respectively, the network for cross-border exchanges in electricity<sup>(5)</sup> and the natural gas transmission networks<sup>(6)</sup>.

These proposals are aimed at:

- the effective separation of supply and production activities from network operation;
- the further harmonisation of the powers and enhanced independence of the national energy regulators;
- the establishment of an independent mechanism for cooperation among national regulators;
- the creation of a mechanism for transmission system operators to improve the coordination of network operation and security, cross-border trade and network operation;
- greater transparency in energy market operations.

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<sup>(1)</sup> COM(2006) 846 (OJ C 138, 22.6.2007).

<sup>(2)</sup> COM(2007) 528 (OJ C 4, 9.1.2008).

<sup>(3)</sup> COM(2007) 529 (OJ C 4, 9.1.2008).

<sup>(4)</sup> COM(2007) 530 (OJ C 4, 9.1.2008).

<sup>(5)</sup> COM(2007) 531 (OJ C 4, 9.1.2008).

<sup>(6)</sup> COM(2007) 532 (OJ C 4, 9.1.2008).

### ***Fossil fuels and sustainable power generation***

On 10 January the Commission adopted a communication 'Sustainable power generation from fossil fuels: aiming for near-zero emissions from coal after 2020' <sup>(1)</sup>. While recognising the importance of fossil fuels and particularly the contribution of coal to the security of energy supply, the Commission stressed that their future use must be made compatible with sustainability objectives and climate-change policy.

### ***Renewable energy***

On 10 January the Commission adopted a renewable energy road map 'Renewable energies in the 21st century: building a more sustainable future' <sup>(2)</sup>. In this it proposed establishing a legally binding target of 20 % for renewable energy's share of energy consumption in the European Union by 2020 and a new legislative framework for the promotion and use of renewable energy in the Union.

On the same day the Commission adopted two reports:

- the first <sup>(3)</sup> seeks to assess to what extent Member States have made progress towards achieving their national targets <sup>(4)</sup> in the area of renewable electricity. This report is a follow-up to the Green Paper on a European strategy for sustainable, competitive and secure energy <sup>(5)</sup>;
- the second <sup>(6)</sup> concerns progress made in the use of biofuels and other renewable fuels in the Member States.

### ***Energy technologies***

On 10 January the Commission adopted a communication 'Towards a European strategic energy technology plan' <sup>(7)</sup>. The Commission stresses the need for a sea-change in European energy technology innovation, from basic research right through to market take-up, to accelerate development and deployment of affordable, clean, efficient, low-carbon technologies.

On 22 November the Commission presented a European strategic energy technology plan (SET-plan) <sup>(8)</sup>. SET-plan is part of the energy policy worked out by the March European Council, and basically seeks to speed up the development and implementation of future low-carbon technologies. It formulates specific proposals for action to set in train a long-term process.

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<sup>(1)</sup> COM(2006) 843 (OJ C 138, 22.6.2007).

<sup>(2)</sup> COM(2006) 848 (OJ C 138, 22.6.2007).

<sup>(3)</sup> COM(2006) 849 (OJ C 138, 22.6.2007).

<sup>(4)</sup> Directive 2001/77/EC (OJ L 283, 27.10.2001).

<sup>(5)</sup> COM(2006) 105 (OJ C 104, 3.5.2006).

<sup>(6)</sup> COM(2006) 845 (OJ C 138, 22.6.2007).

<sup>(7)</sup> COM(2006) 847 (OJ C 138, 22.6.2007).

<sup>(8)</sup> COM(2007) 723.

## ***Nuclear energy***

### **Euratom Treaty**

On 20 March the Commission adopted a communication '50 years of the Euratom Treaty' <sup>(1)</sup>. It noted the contribution the European Atomic Energy Community has made to scientific progress and to the existence of a high level of radiation protection in the European Union. According to the Commission, the Treaty has given rise to, and continues to be, the origin of a large body of Community legislation.

### **Euratom Supply Agency**

On 16 March the Commission adopted a proposal for a decision establishing new statutes for the Agency <sup>(2)</sup>, and a proposal for a regulation which aims to provide the Agency with a financial regulation taking account of enlargement, modern financial rules and the special features of the Agency <sup>(3)</sup>.

### ***International developments***

On 6 June the Council adopted a decision on the conclusion of a framework agreement on a multilateral nuclear environmental programme in the Russian Federation, together with a protocol on claims, legal proceedings and indemnification to that agreement, signed on 21 May. The agreement establishes a multilateral legal framework for projects connected with the nuclear field undertaken by western countries in north-western Russia, as well as the objectives of the protocol, in order to regulate liability issues resulting from the activities carried out in this context.

On 26 September the European Parliament adopted a resolution 'Towards a common European foreign policy on energy'. This called for the setting-up, at European Union level, of a common foreign policy on energy which would make a significant contribution to guaranteeing the security of energy supply throughout the Union while ensuring the pursuit of a sustainable policy at international level. It also recommended that for the medium term the Commission be accorded the institutional authority to negotiate the Union's framework agreements with non-member countries on energy supply matters.

The Commission adopted a draft negotiating mandate for the accession of Moldova, Norway, Turkey and Ukraine to the Energy Community. On 17 December the Energy Community Ministerial Council delivered a favourable opinion on Georgia's application for observer status.

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<sup>(1)</sup> COM(2007) 124 (OJ C 181, 3.8.2007).

<sup>(2)</sup> COM(2007) 119.

<sup>(3)</sup> COM(2007) 108.

## Labour mobility

As regards the first phase of the transitional provisions applicable to the free movement of workers from Romania and Bulgaria (2007–09), 10 of the other 25 Member States (the Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Poland, Slovenia, Slovakia, Finland and Sweden) informed the Commission of their decision to open up their labour markets to Bulgarians and Romanians as from the date of their accession, 1 January.

Three years after the 2004 enlargement, a majority of nine out of the 15 pre-enlargement Member States have now opened their labour markets to nationals from the eight Member States subject to the transitional provisions on the free movement of workers under the 2003 Treaty of Accession: Ireland, Greece, Spain, Italy, Portugal, Finland, Sweden and the United Kingdom were followed by the Netherlands, which stopped applying transitional measures from 1 May. Luxembourg has decided to lift its restrictions by the end of 2007.

Other issues relating to workers' mobility are dealt with in Chapter III, Section 1, of this Report.

### **General references and other useful links**

- Enterprise:  
[http://ec.europa.eu/enterprise/index\\_en.htm](http://ec.europa.eu/enterprise/index_en.htm)
- European innovation scoreboard:  
<http://trendchart.cordis.lu/>
- Directorate-General for Research:  
<http://ec.europa.eu/research/index.cfm?lg=en>
- ITER:  
<http://www.iter.org/index.htm>
- Joint Research Centre:  
<http://ec.europa.eu/dgs/jrc/index.cfm>
- Space:  
[http://ec.europa.eu/enterprise/space/index\\_en.html](http://ec.europa.eu/enterprise/space/index_en.html)
- Directorate-General for the Information Society and Media:  
[http://ec.europa.eu/dgs/information\\_society/index\\_en.htm](http://ec.europa.eu/dgs/information_society/index_en.htm)
- Education:  
[http://ec.europa.eu/education/index\\_en.html](http://ec.europa.eu/education/index_en.html)
- Lifelong learning programme — Strategic priorities:  
[http://ec.europa.eu/education/programmes/llp/call08/prior\\_en.pdf](http://ec.europa.eu/education/programmes/llp/call08/prior_en.pdf)
- Directorate-General for Energy and Transport:  
[http://ec.europa.eu/dgs/energy\\_transport/index\\_en.html](http://ec.europa.eu/dgs/energy_transport/index_en.html)
- Internal market:  
[http://ec.europa.eu/internal\\_market/index\\_en.htm](http://ec.europa.eu/internal_market/index_en.htm)



## Chapter III

# Solidarity

## Section 1

### Consolidating economic and social cohesion

#### Regional dimension and Cohesion Fund

##### **General**

On 30 May the Commission adopted its fourth report on economic and social cohesion <sup>(1)</sup>, which describes the economic, social and territorial situation in the enlarged Union of 27 Member States and 268 regions. The report contains a detailed analysis of the position of the regions in terms of GDP, productivity and employment and identifies a series of challenges which Member States will face in the coming years. It provides a first assessment of the impact of European cohesion policy in the 2000–06 programming period and of the preparation for the new period 2007–13. The report includes 10 questions to kick off the debate within the European institutions and beyond on the future of this major policy area.

The debate was officially opened at the Cohesion Forum held in Brussels on 27 and 28 September, which was attended by more than 800 national and regional representatives. At this forum the Commission also launched a broad public consultation on the future of cohesion policy.

In the course of the year the European Parliament adopted several resolutions on regional policy.

In particular, in April it adopted a resolution on the consequences of future enlargements for cohesion policy.

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<sup>(1)</sup> COM(2007) 273 (OJ C 191, 17.8.2007).

On 10 May Parliament adopted a resolution on housing and regional policy in which it stressed the need to take into account the specific problem of housing in all European Union policies in order to favour a balanced policy on spatial planning that countered segregation and the depopulation of rural areas. The Committee of the Regions <sup>(1)</sup> and the European Economic and Social Committee <sup>(2)</sup> adopted resolutions on this subject which followed the same lines as Parliament's resolution.

On 12 July Parliament adopted a resolution on the role and effectiveness of cohesion policy in reducing disparities in the poorest regions of the European Union. It urged that resolute action be taken to reduce development shortcomings in the Union's poorest regions, and noted that the new Member States required special support. Parliament expressed concern that Community aid that had been granted to certain regions which were unable to improve their situation despite having received funding for several years was not sufficiently targeted.

On 22 March the Committee of the Regions adopted a resolution on the leverage effect of the Structural Funds, which stated that the leverage effect was an essential part of the added value of the Union's cohesion policy.

On 25 April the European Economic and Social Committee issued an exploratory opinion entitled 'European metropolitan areas: socioeconomic implications for Europe's future' <sup>(3)</sup>. On the same date it issued a second opinion entitled 'Territorial agenda'. This provides a strategic framework which sets priorities for the spatial development of the European Union.

In general, sustainable development continued to be applied as a cross-cutting principle in the implementation of cohesion policy, in line with the renewed sustainable development strategy adopted by the European Council in June 2006 <sup>(4)</sup>.

### ***National strategic reference frameworks and 2007–13 operational programmes***

In 2007 the new generation of cohesion policy programmes was launched. These programmes, which are at the heart of the Lisbon strategy, have a budget of EUR 347.4 billion (at current prices) for the period 2007–13. In line with the renewed Lisbon strategy, they are intended to promote investments which stimulate growth and employment, encourage the growth of the knowledge economy by promoting research and innovation capacities, new information and communication technologies, human capital and entrepreneurship, and encourage more people to set up businesses.

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<sup>(1)</sup> OJ C 146, 30.6.2007.

<sup>(2)</sup> OJ C 161, 13.7.2007.

<sup>(3)</sup> OJ C 168, 20.7.2007.

<sup>(4)</sup> See 'Sustainable development strategy' in Chapter II, Section 1, of this Report.

The Commission approved the national strategic reference frameworks established by the 27 Member States in line with the Community strategic guidelines for 2007–13. This paved the way for the adoption of the operational programmes financed by the Community Structural Funds. On 31 December the Commission formally adopted 302 operational programmes (European Regional Development Fund and Cohesion Fund), constituting 96 % of the programmes planned for the period 2007–13.

On 11 December the Commission adopted a communication ‘Member States and regions delivering the Lisbon strategy for growth and jobs through EU cohesion policy, 2007–13’<sup>(1)</sup>. This communication sets out an initial overview of the results of the negotiations on the new generation of cohesion policy strategies and programmes for the period 2007–13. In addition, with a view to the 2008 spring European Council, the communication also reflects on the potential role of cohesion policy programmes in taking the renewed Lisbon strategy forward during its next three-year cycle.

### ***Outermost regions***

The Commission reaffirmed the importance accorded to the Union’s seven outermost regions<sup>(2)</sup> by adopting a communication on 12 September entitled ‘Strategy for the outermost regions: achievements and future prospects’<sup>(3)</sup>. It welcomed the progress made since 2004, for example in the reform of the European sugar and banana markets. In future, the Commission intends to involve these regions fully in the Lisbon strategy and to make their economies more competitive. To this end, specific measures will be taken under the cohesion policy 2007–13, but also via the seventh framework programme for research and development. This communication also launches a debate on the challenges which the outermost regions will face in future.

## **Social dimension**

### ***European social reality stocktaking***

In an exploratory opinion issued on 18 January<sup>(4)</sup>, the European Economic and Social Committee felt that taking stock of the reality of European society should involve a broader approach than just reviewing social issues in the traditional sense. It recommended building a new consensus on the social challenges facing Europe and a new programme of social action.

On 26 January the Commission adopted an interim report for the spring European Council on the social reality stocktaking<sup>(5)</sup>. Noting that there was no shared diagnosis of the social challenges caused by globalisation and demographic changes, it pointed

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<sup>(1)</sup> COM(2007) 798.

<sup>(2)</sup> The Azores, Madeira, the four French overseas departments and the Canaries.

<sup>(3)</sup> COM(2007) 507 (OJ C 4, 9.1.2008).

<sup>(4)</sup> OJ C 93, 27.4.2007.

<sup>(5)</sup> COM(2007) 63 (OJ C 138, 22.6.2007).

out that the stocktaking exercise aimed to develop that diagnosis and generate a debate on Europe's social situation, which would also feed into the mid-term review of the social policy agenda. At the same time the Commission launched a wide consultation on the social issues and challenges facing Europe with a view to reaching out to different constituencies to discuss what constitutes Europe's 'social reality', thereby placing itself in 'listening' mode, not testing policy options.

On 20 November the Commission adopted a communication 'Opportunities, access and solidarity: towards a new social vision for 21st century Europe' <sup>(1)</sup>, which is intended to feed into the social reality consultation that has been extended until 15 February 2008, and to pave the way for launching a renewed social agenda, which the Commission will present in mid-2008. The communication presents a new 'life chances' social vision for 21st century Europe, based on a preliminary analysis of how our societies are changing, the new social challenges they face and how Member States and the Union could work in partnership to address those challenges. The Commission's social vision identifies the need to invest in a number of areas; this is mainly the responsibility of the Member States, but European contributions are not excluded. These areas include youth, career opportunities, longer and healthier lives, gender equality, inclusion and non-discrimination, mobility and integration, culture, participation and dialogue.

### **Employment**

On 22 February the Council adopted the joint employment report, which takes stock of the progress made and of what remains to be done to achieve the Lisbon strategy goals.

At its meeting on 21 and 22 June, the European Council said it looked forward to receiving the communication on flexicurity, which was subsequently adopted on 27 June <sup>(2)</sup>. In this communication the Commission explained why an integrated flexicurity approach was needed to achieve the objectives of the Lisbon strategy and underlined the need to modernise the European social model. On 9 October the Council welcomed the approach adopted in this communication, which is intended to promote coordinated policies designed to improve both labour market flexibility and employment security. The European Parliament adopted a resolution on the common principles of flexicurity on 29 November. At its meeting on 5 and 6 December the Council adopted conclusions 'Towards common principles of flexicurity'.

On 10 July the Council adopted a decision <sup>(3)</sup> on guidelines for the employment policies of the Member States which maintained for 2007 the guidelines provided

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<sup>(1)</sup> COM(2007) 726.

<sup>(2)</sup> COM(2007) 359 (OJ C 246, 20.10.2007).

<sup>(3)</sup> Decision 2007/491/EC (OJ L 183, 13.7.2007).

for in Decision 2005/600/EC <sup>(1)</sup>. The guidelines' objectives are full employment, job quality, labour productivity and social cohesion.

Following an examination of the applications submitted by France relating to the redundancies in the suppliers of Peugeot and Renault, for the first time since the European Globalisation Adjustment Fund <sup>(2)</sup> was established, a decision <sup>(3)</sup> to mobilise the Fund for a total of EUR 3.8 million was adopted by the European Parliament and the Council on 23 October. The Commission adopted the corresponding financing decisions on 4 December.

On 18 December the Parliament and the Council adopted a decision <sup>(4)</sup> to mobilise the Fund for collective redundancies in two companies in the mobile phone sector, BenQ in Germany and Perlos in Finland, for a total of EUR 14.8 million. The Commission adopted the corresponding financing decisions on the same day.

On 13 December the Commission approved the conclusion <sup>(5)</sup> proposed following the application submitted by Malta relating to redundancies in the textile sector. It will submit to the budgetary authority a proposal to authorise appropriations amounting to EUR 681 207.

On 24 October the Commission adopted a communication 'Stepping up the fight against undeclared work' <sup>(6)</sup>, the aim of which is to take stock of the actions undertaken in the Member States and illustrate the scope for mutual learning and the exchange of best practices. On the same date it also adopted a communication 'Outcome of the public consultation on the Commission's Green Paper — Modernising labour law to meet the challenges of the 21st century' <sup>(7)</sup>. In this communication the Commission concludes that the public consultation has achieved its objective and given rise to a debate at national and European levels.

With regard to statistical systems, on 12 March the Commission adopted a proposal for a regulation <sup>(8)</sup> on quarterly statistics on Community job vacancies. This proposal is intended to establish a legal basis for the regular collection of harmonised and comparable data on job vacancies by sector of economic activity, so that the Commission and the European Central Bank can assess labour market conditions.

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<sup>(1)</sup> OJ L 205, 6.8.2005.

<sup>(2)</sup> Regulation (EC) No 1927/2006 (OJ L 406, 30.12.2006).

<sup>(3)</sup> Decision 2007/726/EC (OJ L 294, 13.11.2007).

<sup>(4)</sup> Decision 2008/30/EC (OJ L 6, 10.1.2008).

<sup>(5)</sup> SEC(2007) 1657.

<sup>(6)</sup> COM(2007) 628 (OJ C 9, 15.1.2008).

<sup>(7)</sup> COM(2007) 627 (OJ C 9, 15.1.2008).

<sup>(8)</sup> COM(2007) 76 (OJ C 138, 22.6.2007).

### ***Social protection and social inclusion***

On 19 January the Commission adopted a communication entitled ‘Proposal for the joint report on social protection and social inclusion 2007’<sup>(1)</sup>. This proposal is based on the reports submitted by the 27 Member States on strategies for social inclusion, pensions, healthcare and long-term care. The reports show that the Member States have undertaken to address child poverty and have recognised active inclusion as a powerful means of promoting the social and labour market integration of the most disadvantaged. In the area of healthcare and long-term care, the Member States have listed several priorities, such as: ensuring equal access for all, reducing health inequalities in outcomes, and guaranteeing safe and high-quality care. With regard to pension reforms, the emphasis is on the need to have more people working — and working longer.

The Council adopted the joint report on social protection and social inclusion on 22 February.

On 17 October the Commission adopted a communication ‘Modernising social protection for greater social justice and economic cohesion: taking forward the active inclusion of people furthest from the labour market’<sup>(2)</sup>, in which it sets out proposals which will be subject to public consultation. Following this communication, at its meeting on 5 and 6 December the Council adopted conclusions on the active inclusion of people furthest from the labour market.

On 12 December the Commission adopted a proposal for a decision<sup>(3)</sup> on the European Year for Combating Poverty and Social Exclusion (2010).

### ***Workers’ mobility and coordination of social security schemes***

On 25 January the Commission adopted a ‘Final report on the implementation of the Commission’s action plan for skills and mobility’<sup>(4)</sup>. The purpose of this report is to give an account of the progress made and to identify a number of policy directions at European and national levels in support of the progressive emergence of a labour market at European level. The Commission sets out a series of challenges to be met in relation to lifelong learning, the legal, administrative and cultural obstacles to mobility, economic migration and the integrated approach to mobility.

At its meeting on 21 and 22 June the European Council said it was looking forward to the presentation of an amended proposal for a directive on minimum requirements for enhancing worker mobility by improving the acquisition and preservation of supplementary pension rights. It also pointed out that, in the social policy area, work

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<sup>(1)</sup> COM(2007) 13 (OJ C 138, 22.6.2007).

<sup>(2)</sup> COM(2007) 620 (OJ C 4, 9.1.2008).

<sup>(3)</sup> COM(2007) 797.

<sup>(4)</sup> COM(2007) 24.

on the coordination of social security systems must be pursued vigorously with a view to resolving the remaining outstanding chapters as soon as possible.

On 13 June the Commission adopted a communication <sup>(1)</sup> on the posting of workers, in line with the undertaking given in April 2006 <sup>(2)</sup>. The aim of this communication is to present an objective view of the situation in the Member States, assess whether progress has been achieved, draw operational conclusions from the monitoring exercise and indicate the appropriate steps and measures to rectify the situation, if necessary.

On 3 July the Commission submitted a proposal for a regulation <sup>(3)</sup> amending the annexes to Regulation (EC) No 883/2004 <sup>(4)</sup> on the coordination of social security systems, which modernises and simplifies the coordination of social security systems within the European Union. The regulation came into force in May 2004 but will not be applicable until its annexes are completed. On 23 July the Commission also proposed <sup>(5)</sup> extending the provisions of this regulation to nationals of third countries who are not already covered by these provisions solely on the ground of their nationality, and replacing Regulation (EC) No 859/2003 <sup>(6)</sup>. The objective is to ensure legal continuity for third-country nationals who are legally resident in the Community and are in a cross-border situation.

In the light of the results of the 2006 European Year of Workers' Mobility and the strong connection between worker mobility and a number of ongoing policy debates, such as flexicurity, lifelong learning and demographic change, on 6 December the Commission launched a job mobility action plan for 2007–10 <sup>(7)</sup>. The objectives of this action plan are to: improve existing legislation and administrative practices regarding worker mobility; ensure policy support for mobility from authorities at all levels; reinforce the European Employment Services (EURES) network as the main instrument for facilitating the mobility of workers and their families; foster awareness of the possibilities and advantages of mobility among the wider public.

In the course of 2007 the EURES network improved the quality of its services and in particular its website. This has become an important website for jobseekers and employers, with 1 million visitors every month consulting some 1.7 million job vacancies, labour market developments, and living and working conditions in the various European Union Member States.

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<sup>(1)</sup> COM(2007) 304 (OJ C 191, 17.8.2007).

<sup>(2)</sup> COM(2006) 159 (OJ C 130, 3.6.2006).

<sup>(3)</sup> COM(2007) 376 (OJ C 191, 17.8.2007).

<sup>(4)</sup> OJ L 166, 30.4.2004.

<sup>(5)</sup> COM(2007) 439 (OJ C 191, 17.8.2007).

<sup>(6)</sup> OJ L 124, 20.5.2003.

<sup>(7)</sup> COM(2007) 773.

### ***Health and safety at work***

On 7 February the Commission adopted a proposal for a regulation <sup>(1)</sup> to establish a common framework for the systematic production of Community statistics in all areas of public health and health and safety at work.

On 21 February the Commission adopted a communication 'Improving quality and productivity at work: Community strategy 2007–12 on health and safety at work' <sup>(2)</sup> It considered that the innovative approach of the Community strategy 2002–06 <sup>(3)</sup> was already bearing fruit and that the Member States had made real progress by drawing up strategies and national action programmes which were more focused. The Commission proposes that efforts be continued and stepped up during the next five years. The June European Council called on Member States to implement the new strategy without delay. On 25 June the Council adopted a resolution <sup>(4)</sup> in which it noted the Commission's opinion that, in order to achieve an ongoing, sustainable and consistent reduction in accidents at work and occupational illnesses, the parties involved must pursue a number of objectives for which an overall approach has to be further developed. The Commission's communication led the Committee of the Regions to issue an opinion on 28 November.

In the context of improving health and safety at work, on 20 June the European Parliament and the Council signed Directive 2007/30/EC <sup>(5)</sup> amending Directive 89/391/EEC <sup>(6)</sup>, its individual directives and Directives 83/477/EEC <sup>(7)</sup>, 91/383/EEC <sup>(8)</sup>, 92/29/EEC <sup>(9)</sup> and 94/33/EC <sup>(10)</sup>, with a view to simplifying and rationalising the reports on practical implementation.

On 26 October the Commission adopted a proposal for a directive <sup>(11)</sup> amending Directive 2004/40/EC <sup>(12)</sup> on minimum health and safety requirements regarding the exposure of workers to the risks arising from physical agents (electromagnetic fields). The aim of this proposal is to postpone until 30 April 2012 the deadline for the transposition of Directive 2004/40/EC in order to take account of the concerns of the medical community.

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<sup>(1)</sup> COM(2007) 46 (OJ C 138, 22.6.2007).

<sup>(2)</sup> COM(2007) 62 (OJ C 138, 22.6.2007).

<sup>(3)</sup> COM(2002) 118.

<sup>(4)</sup> OJ C 145, 30.6.2007.

<sup>(5)</sup> OJ L 165, 27.6.2007.

<sup>(6)</sup> OJ L 183, 29.6.1989.

<sup>(7)</sup> OJ L 263, 24.9.1983.

<sup>(8)</sup> OJ L 206, 29.7.1991.

<sup>(9)</sup> OJ L 113, 30.4.1992.

<sup>(10)</sup> OJ L 216, 20.8.1994.

<sup>(11)</sup> COM(2007) 669.

<sup>(12)</sup> OJ L 159, 30.4.2004.

### ***Combating discrimination***

The year 2007 was declared 'European Year of Equal Opportunities for All', with the general objective of increasing the participation in society of groups that are victims of discrimination, in particular by supporting the Member States and other countries concerned in implementing the Community legislation on equal treatment and non-discrimination.

In an exploratory opinion on 'Equal opportunities for people with disabilities' of 17 January <sup>(1)</sup>, the European Economic and Social Committee hoped that the European Year of Equal Opportunities for All in 2007 would be put to the fullest possible use in securing equal opportunities for people with disabilities.

In a resolution of 26 April on the situation of women with disabilities in the European Union, the European Parliament called for better implementation of Community anti-discrimination and gender-equality legislation and better use of the opportunities provided by relevant Community programmes and the European Social Fund.

On 26 November the Commission adopted a communication 'Situation of disabled people in the European Union: the European action plan 2008–09' <sup>(2)</sup>. The objectives of this communication are to: analyse developments in the situation of disabled people, assess the achievements of the second phase of the Commission's disability action plan (2006–07) and define priorities for the third phase of the action plan (2008–09) in line with the Commission's strategic objectives to encourage equal opportunities for people with disabilities.

At its meeting of 5 and 6 December the Council adopted a resolution on the follow-up to the European Year of Equal Opportunities for All in 2007. The resolution welcomes the high level of participation in the European Year and the fact that, for the first time, the countries covered all the discrimination grounds set out in the EC Treaty and fully involved civil society and stakeholders in their work.

### ***Gender equality***

On 7 February the Commission adopted a report on equality between women and men in 2007 <sup>(3)</sup>. It sets out the main developments concerning the respective situations of men and women in several policy areas and highlights the challenges involved in promoting gender equality. It also stresses the contribution of gender policy to meeting the Lisbon objectives. It confirms that, despite some progress, major gender gaps remain in many areas.

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<sup>(1)</sup> OJ C 93, 27.4.2007.

<sup>(2)</sup> COM(2007) 738.

<sup>(3)</sup> COM(2007) 49 (OJ C 138, 22.6.2007).

On 23 April the Commission adopted the 'Work programme of the roadmap for equality between women and men (2006–10): achievements of 2006 and plans for 2007' <sup>(1)</sup>. It sets out the measures implemented in 2006 and those planned for 2007 in order to fulfil the Commission's commitments concerning gender equality in six priority areas: equal economic independence for women and men, reconciliation of private and professional life, equal representation in decision-making, eradication of all forms of gender-based violence, elimination of gender stereotypes and promotion of gender equality in external and development policies.

To this end the Commission adopted a communication on 18 July on the pay gap between women and men <sup>(2)</sup>, the aim of which is to examine the causes of this gap and put forward possible ways of reducing it at Community level. This involves exploring ways to improve the legislative framework and its implementation, exploiting to the full the European strategy for growth and jobs in relation to the pay gap, encouraging employers to respect equal pay and supporting the exchange of good practice at Community level.

### ***Reconciling work and private and family life***

On 10 May the Commission decided to begin the second phase of the consultation with European social partners on the question of reconciling work and private and family life. It asked the social partners to deliver opinions or, if appropriate, make recommendations on the objectives and content of the planned proposals, or to inform the Commission if they intended to launch the negotiation process on the provisions of their framework agreement on parental leave with a view to revising it, and to report by March 2008 at the latest on the progress made.

On 19 June the European Parliament adopted a resolution on a regulatory framework for measures enabling young women in the European Union to combine family life with a period of study. It encourages the Commission and the Member States to promote policies which make it easier for young people to assume family responsibilities and enable them to optimise their contribution to European growth and competitiveness.

## **Demographic challenges**

In its exploratory opinion of 14 March on the 'Economic and budgetary impact of ageing populations' <sup>(3)</sup>, the European Economic and Social Committee concentrated on areas connected with the consequences of an ageing population on employment and on a number of related aspects. It recommended that greater attention be given to employing older workers in the production cycle. The Committee believed that lifelong learning programmes were the key to making effective use of older workers,

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<sup>(1)</sup> SEC(2007) 537.

<sup>(2)</sup> COM(2007) 424 (OJ C 246, 20.10.2007).

<sup>(3)</sup> OJ C 161, 13.7.2007.

both within companies and beyond. It also believed that immigration was one of the necessary responses to the challenge of an ageing population.

In an opinion of 15 March on 'The family and demographic change' <sup>(1)</sup>, the Committee said that, in order to respond appropriately to demographic change, decision-makers at European Union, national and local levels needed to carry out a detailed study of demographic developments. It suggested that the Commission set up a European register on best practice in family policy.

In its conclusions of 8 May on 'ageing and financial markets', the Council endorsed the report on the implications of ageing for financial markets, drawn up by the Financial Services Committee in accordance with the mandate it had been given. It stressed in particular the need to develop or strengthen adequate statistical tools to better monitor the composition of households' portfolios and changes in households' risk profiles.

On 10 May the Commission adopted a communication 'Promoting solidarity between the generations' <sup>(2)</sup>. This is the first step along the road opened up by its communication of 12 October 2006 on the demographic future of Europe <sup>(3)</sup>. It aims to improve the conditions for family life by stimulating a debate on and promoting policy research and by encouraging partnership, in a context in which family links constitute an essential area of solidarity for Europeans. This communication led the European Economic and Social Committee to issue an opinion on 13 December.

In its conclusions of 30 May on the importance of family-friendly policies in Europe and the establishment of an Alliance for Families, the Council and the representatives of the Member States' governments pointed out that the basic changes in the composition of the population as a result of demographic change would have consequences for the structure of social life and for the economy, posing challenges that must be met with coherent, long-term strategies. They believed therefore that the Alliance for Families constituted a platform for the exchange of views and knowledge. At its June meeting, the European Council called on the Member States to make good use of the Alliance for Families.

On 6 June the Committee of the Regions issued an opinion on the demographic future of Europe <sup>(4)</sup>. It welcomes the Commission initiative, which aims to follow on from the discussion of the Green Paper 'Confronting demographic change: a new solidarity between the generations' <sup>(5)</sup>. It supports the Commission's strategies aimed at creating a Europe which supports demographic renewal by helping families to fulfil

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<sup>(1)</sup> OJ C 161, 13.7.2007.

<sup>(2)</sup> COM(2007) 244 (OJ C 191, 17.8.2007).

<sup>(3)</sup> COM(2006) 571 (OJ C 78, 11.4.2007).

<sup>(4)</sup> OJ C 197, 24.8.2007.

<sup>(5)</sup> COM(2005) 94 (OJ C 172, 12.7.2005).

their wish to have children, places a higher value on work and promotes employment and a long active life of high quality.

### **General references and other useful links**

- Structural measures:  
[http://ec.europa.eu/regional\\_policy/funds/prord/sf\\_en.htm](http://ec.europa.eu/regional_policy/funds/prord/sf_en.htm)
- European Social Fund:  
[http://ec.europa.eu/employment\\_social/esf/index\\_en.htm](http://ec.europa.eu/employment_social/esf/index_en.htm)
- Social policy agenda:  
[http://ec.europa.eu/employment\\_social/social\\_policy\\_agenda/social\\_pol\\_ag\\_en.html](http://ec.europa.eu/employment_social/social_policy_agenda/social_pol_ag_en.html)
- Joint report:  
[http://ec.europa.eu/employment\\_social/employment\\_strategy/employ\\_en.htm](http://ec.europa.eu/employment_social/employment_strategy/employ_en.htm)
- Coordination of social security schemes:  
[http://ec.europa.eu/employment\\_social/social\\_security\\_schemes/index\\_en.htm](http://ec.europa.eu/employment_social/social_security_schemes/index_en.htm)
- Free movement of workers:  
[http://ec.europa.eu/employment\\_social/free\\_movement/index\\_en.htm](http://ec.europa.eu/employment_social/free_movement/index_en.htm)

## *Section 2*

# **Solidarity with future generations and management of natural resources**

## **Environment**

### **Overall strategy**

On 30 April the Commission adopted a communication on the mid-term review of the sixth Community environment action programme (EAP) <sup>(1)</sup>. This communication assesses the extent to which the EU is currently meeting its commitments under the sixth EAP and, after examining the latest scientific evidence on the state of the environment, confirms that climate change, biodiversity, health and resource use remain the most pressing environmental challenges. It concludes that the sixth EAP is still the correct framework for future action at Community level but that it is still too early to see the results of most of the measures proposed. Work should therefore focus on implementing and building on the sixth EAP by improving application of the principles of 'better regulation' in environmental policy, promoting the incorporation of environmental objectives in other policies and strengthening international

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<sup>(1)</sup> COM(2007) 225 (OJ C 181, 3.8.2007).

cooperation. In June the Council adopted conclusions on this communication, confirming the validity of the priority themes under the action programme.

On the same day the Commission adopted a communication '2006 environment policy review' <sup>(1)</sup> which describes the action taken by the European Union on the environment in 2006. According to the communication, there were four key issues in 2006: the greater interest in energy efficiency and renewable energy due to volatile oil and gas prices, the fear of supply disruptions and the impact of energy consumption on climate change; speeding up the application of biodiversity measures; the adoption of the final three of seven thematic strategies (for the urban environment, soil protection and pesticides); the close links between resource efficiency, climate change and biodiversity loss on the one hand and growth and employment on the other.

On 14 March the European Parliament and the Council signed Directive 2007/2/EC establishing an infrastructure for spatial information in the European Community <sup>(2)</sup>. The directive supports environmental protection policies by requiring the Member States to make geographical data available in a coordinated manner.

On 28 March the Commission adopted a Green Paper on market-based instruments for environment and related policy purposes <sup>(3)</sup>, which in particular covers taxes and charges, permit trading schemes and grants. This Green Paper launched a public consultation and aims to stimulate a discussion on promoting the use of these instruments.

On 21 May the Commission adopted a communication 'Commission cooperation with the environment for Europe process after the 2007 ministerial conference in Belgrade' <sup>(4)</sup> setting out its intention to give priority, within this process, to environmental measures which are consistent with the European Union's bilateral work and represent an optimum use of resources.

On 21 December the Commission adopted the revised directive on industrial emissions (integrated pollution prevention and control) <sup>(5)</sup>. The Commission proposes recasting seven directives currently in force. The new single directive will streamline and strengthen EU policy on industrial emissions, thereby contributing to improving air quality and achieving other key EU environmental objectives, while reducing the administrative burden.

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<sup>(1)</sup> COM(2007) 195 (OJ C 181, 3.8.2007).

<sup>(2)</sup> OJ L 108, 25.4.2007.

<sup>(3)</sup> COM(2007) 140 (OJ C 181, 3.8.2007).

<sup>(4)</sup> COM(2007) 262 (OJ C 191, 17.8.2007).

<sup>(5)</sup> COM(2007) 844.

## ***Environment, health and quality of life***

In its communication of 11 June 'Mid-term review of the European environment and health action plan 2004–10' <sup>(1)</sup>, the Commission examined the progress made, gave a policy update and highlighted areas on which future work should focus, such as climate change and health, nanotechnology and anti-microbial resistance.

The Commission communication 'A thematic strategy on the sustainable use of pesticides' <sup>(2)</sup> prompted a positive opinion from the Committee of the Regions on 13 February <sup>(3)</sup>. In its conclusions of 20 February on the thematic strategy the Council supports the Commission's approach. On 24 October Parliament adopted a resolution on the thematic strategy concerning the sustainable use of pesticides and called for it to cover certain biocides similar to plant-protection products and to set quantitative targets for reducing pesticide use.

On 16 February the Council adopted Regulation (EC) No 172/2007 <sup>(4)</sup> which introduces maximum concentration limits for persistent organic pollutants and amends the existing rules <sup>(5)</sup>. The new limits are better for ensuring a high level of protection.

On 10 July the Commission adopted a communication on the implementation of the Community's strategy for dioxins, furans and polychlorinated biphenyls <sup>(6)</sup>. This is the second activity report and sets out the progress made during the period 2004–06.

On 23 October Parliament and the Council signed a directive on the assessment and management of flood risks <sup>(7)</sup>. Its aim is to establish a framework for assessing and managing flood risks to reduce the adverse impact of floods in the European Union on health, the environment, the cultural heritage and economic activity.

## ***Water protection***

On 19 March the Commission adopted its third report on the implementation of Directive 91/676/EEC on the protection of waters against pollution caused by nitrates from agricultural sources for the period 2000–03 <sup>(8)</sup>.

On 22 March the Commission adopted a communication 'Towards sustainable water management in the European Union — First stage in the implementation of the Water Framework Directive 2000/60/EC' <sup>(9)</sup> in which it examines the progress made

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<sup>(1)</sup> COM(2007) 314 (OJ C 191, 17.8.2007).

<sup>(2)</sup> COM(2006) 372.

<sup>(3)</sup> OJ C 146, 30.6.2007.

<sup>(4)</sup> OJ L 55, 23.2.2007.

<sup>(5)</sup> Regulation (EC) No 850/2004 (OJ L 158, 30.4.2004).

<sup>(6)</sup> COM(2007) 396 (OJ C 191, 17.8.2007).

<sup>(7)</sup> Directive 2007/60/EC (OJ L 288, 6.11.2007).

<sup>(8)</sup> COM(2007) 120 (OJ C 181, 3.8.2007).

<sup>(9)</sup> COM(2007) 128.

by the Member States in this area. In the annex to this, the Commission presented the fourth report <sup>(1)</sup> on the implementation of the urban waste water treatment directive (91/271/EEC) <sup>(2)</sup>.

On 18 July the Commission adopted a communication 'Addressing the challenge of water scarcity and droughts in the European Union' <sup>(3)</sup>, which sets out a series of strategic options for stimulating a debate on how to adapt to water scarcity. The Commission is due to send a report to the European Parliament and the Council in 2008 assessing the progress made.

### ***Sustainable use of resources: consumption, sustainable production and waste***

On 16 January in a report on the directive on end-of-life vehicles <sup>(4)</sup> the Commission concluded that the targets in the directive do not need revising.

On 13 February Parliament adopted a resolution on a thematic strategy for recycling waste in which it emphasises that the key priority is the full implementation of current Community rules on waste and their uniform application in all Member States.

On 21 February the Commission adopted a communication <sup>(5)</sup> on the interpretative communication on waste and by-products to improve legal security regarding waste and the understanding and application of these terms, in particular in the light of the case-law of the Court of Justice of the European Communities.

Parliament passed a resolution on 25 April setting out its opinion on a thematic strategy on the sustainable use of natural resources. Parliament calls for binding policy and sectoral targets to be set to develop and implement best practices for all production chains and to reduce the use of natural resources. In addition it calls for grants to be given in such a way as to promote the use of new technologies and to improve Europe's competitiveness in the world.

On 22 May the Commission adopted a Green Paper on better ship dismantling <sup>(6)</sup>, which explains the issue and sets out options for action at EU level. Following the public consultation which finished at the end of September, the Commission intends to present its analysis of the responses received and, if appropriate, proposals for an EU strategy on ship dismantling.

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<sup>(1)</sup> SEC(2007) 363.

<sup>(2)</sup> OJ L 135, 30.5.1991.

<sup>(3)</sup> COM(2007) 414 (OJ C 246, 20.10.2007).

<sup>(4)</sup> COM(2007) 5 (OJ C 138, 22.6.2007).

<sup>(5)</sup> COM(2007) 59 (OJ C 138, 22.6.2007).

<sup>(6)</sup> COM(2007) 269 (OJ C 191, 7.8.2007).

## ***Climate change***

On the issue of climate change, on 10 January the Commission adopted a communication 'Limiting global climate change to 2 degrees Celsius — The way ahead for 2020 and beyond' <sup>(1)</sup>. In it the Commission emphasises that the EU's goal is to prevent global warming from exceeding pre-industrial levels by more than 2 °C. The communication sets out proposals for measures to be taken by the European Union and the international community as a whole to prevent climate change from having irreversible global consequences and is part of a package of measures initiating a new European energy strategy. It is a key contribution to the international discussions underway on the future of international arrangements for combating climate change after 2012 when the Kyoto Protocol commitments on emissions reductions expire. Parliament passed a resolution <sup>(2)</sup> on this issue on 14 February. In its conclusions of 20 February, the Council supported the targets proposed by the Commission to step up efforts to combat climate change beyond 2012. On 8 and 9 March the spring European Council approved the energy and climate package based on this communication.

In its decision of 25 April Parliament decided to set up a temporary committee tasked with drafting proposals on the future integrated EU policy on climate change.

On 29 June the Commission adopted an initial policy paper on climate change. The Green Paper 'Adapting to climate change in Europe — Options for EU action' <sup>(3)</sup> is based on the work carried out and the conclusions drawn under the European climate change programme. The document sets out the dual challenge posed by the need for substantial reductions in greenhouse gas emissions as we adapt to a changing climate. It proposes possible ways for the EU to act. The main aim is to launch a debate and an EU-wide public consultation to decide how to go forward on the issue. A number of areas for priority action are identified.

With a view to revising Directive 2003/87/EC on the European emissions trading scheme, the Commission has launched a consultation process and, under the climate change programme, set up a working group with a large number of stakeholders to draft recommendations for improving the current system. The group's work covers extending the scope of the scheme, harmonisation, monitoring to improve compliance with the scheme and its application, and the link between the EU scheme and other schemes outside the European Union.

On 18 September the Commission adopted a communication entitled 'Building a global climate change alliance between the European Union and poor developing

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<sup>(1)</sup> COM(2007) 2 (OJ C 138, 22.6.2007).

<sup>(2)</sup> OJ C 287 E, 29.11.2007.

<sup>(3)</sup> COM(2007) 354 (OJ C 191, 17.8.2007).

countries most vulnerable to climate change' (1). The alliance will provide technical and financial support for various measures and contribute to the preparation of an international agreement on climate change after 2012.

On 31 January the Commission adopted a legislative proposal amending the specification of petrol, diesel and gas oil and introducing a mechanism to monitor and reduce greenhouse gas emissions from the use of road transport fuels (2). The aim of the proposal is to require the Member States to reduce by 1 % per year, from 2011 to 2020, the greenhouse gas emissions of these fuels throughout their life cycle. On 17 October the Commission adopted its fourth annual report (3), for 2005, on the quality of petrol and diesel fuel used for road transport in the European Union.

On 7 February the Commission presented a new Community strategy to reduce carbon dioxide emissions from new passenger cars and light-commercial vehicles sold in the European Union (4). The Commission concluded that the voluntary commitments had not produced the results expected and that other measures were needed to ensure that the target for carbon dioxide emissions of 120 g/km is ultimately met for new cars sold in the European Union. The Commission has decided to propose, by mid-2008 at the latest, a legislative framework aimed at reducing carbon dioxide emissions from new cars and light commercial vehicles to give the car industry sufficient lead time and regulatory predictability. On 19 December the Commission proposed a regulation (5) setting emission performance standards for new passenger cars.

On 27 November the Commission published its annual report on the progress made by the European Union towards achieving the Kyoto objectives for reducing greenhouse gas emissions (6). The report concludes that the Community will reach its Kyoto target provided that the Member States put in place and implement their additional policies and measures as soon as possible.

A conference of the parties to the United Nations Framework Convention on Climate Change was held from 3 to 14 December in Bali, Indonesia. The conference adopted the 'Bali roadmap', which provides for the opening of formal negotiations intended to reach agreement by 2009 on a system for combating climate change after 2012.

### ***Environmental crime***

On 9 February the Commission adopted a proposal for a directive on the protection of the environment through criminal law (7), which is intended to supplement

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(1) COM(2007) 540 (OJ C 4, 9.1.2008).

(2) COM(2007) 18 (OJ C 181, 3.8.2007).

(3) COM(2007) 617.

(4) COM(2007) 19 (OJ C 138, 22.6.2007).

(5) COM(2007) 856.

(6) COM(2007) 757.

(7) COM(2007) 51 (OJ C 138, 22.6.2007).

administrative and civil law provisions in order to provide a level of environmental protection throughout the Community for more efficient implementation of EU environmental policy. In its opinion <sup>(1)</sup> of 26 September, the European Economic and Social Committee proposed increasing the responsibility of legal persons and removing references to offences committed by criminal organisations.

On 14 November the Commission adopted a communication <sup>(2)</sup> on the review of Recommendation 2001/331/EC <sup>(3)</sup>, which lays down minimum criteria for environmental inspections. The communication launches a wide-ranging consultation with the institutions and stakeholders.

### ***Protection of nature and biodiversity, and forests***

On 15 February the European Economic and Social Committee issued a favourable opinion <sup>(4)</sup> on the Commission's communication 'Halting the loss of biodiversity by 2010 — and beyond — Sustaining ecosystem services for human well-being' <sup>(5)</sup>, which stresses the importance of conserving biodiversity.

On 22 May Parliament passed a resolution expressing its concern about the persisting decline of biodiversity in Europe. It called for more emphasis on biodiversity in agricultural and fisheries policies and in local, regional and national planning policy to strengthen the resistance of ecosystems to climate change.

In its resolution of 6 September Parliament underscored the European Union's objectives with a view to the eighth meeting of the Conference of the Parties to the UN Convention to Combat Desertification. It called for general forestry management measures to minimise the likelihood of fires occurring and the speed at which they are able to spread. It invited the Commission to consider setting up a European drought observatory, which would pool knowledge in this field and propose follow-up measures to minimise the effects of droughts in Europe.

### ***Ozone layer protection***

On 19 September the 19th meeting of the parties to the Montreal Protocol on substances that deplete the ozone layer adopted several important decisions, in particular a change to the protocol to accelerate the timeframe for eliminating hydrochlorofluorocarbons (HCFCs). Under this measure, negotiated by the 191 parties to the protocol, HCFCs will be eliminated by 2020 for industrialised countries and by 2030 for developing countries. For the European Communities, the agreement necessitates slight changes to Regulation (EC) No 2037/2000 to amend the stages for

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<sup>(1)</sup> OJ C 10, 15.1.2008.

<sup>(2)</sup> COM(2007) 707.

<sup>(3)</sup> OJ L 118, 27.4.2001.

<sup>(4)</sup> OJ C 97, 28.4.2007.

<sup>(5)</sup> COM(2006) 216 (OJ C 184, 8.8.2006).

the reductions to be made by 2015 and 2020 and to change the final date for stopping the use of HCFCs from 2025 to 2020.

### ***Financial Instrument for the Environment (LIFE)***

On 23 May Parliament and the Council adopted a regulation on the LIFE+ financial instrument <sup>(1)</sup>. This new instrument merges a wide range of existing environmental programmes and instruments into a single mechanism and has a budget of EUR 1.9 billion for the period 2007–13.

## **Agriculture and rural development**

### ***Content of the common agricultural policy***

On 27 March the Council adopted a regulation laying down a legal basis to permit Portugal and the United Kingdom to apply the system of voluntary modulation <sup>(2)</sup>.

In its resolution of 29 March on the integration of the new Member States into the common agricultural policy (CAP), Parliament welcomed the Commission's intention to draw up a long-term, post-2013 vision of the CAP's future that would allow the policy to benefit from the excellent opportunities for expansion offered by the forecast growth in global agri-food trade and enable the agricultural industry to play its part in terms of production and other activities.

On 23 May the Commission adopted a proposal for a regulation on information provision and promotion measures for agricultural products on the internal market and in third countries <sup>(3)</sup>. In the light of experience over the last few years and in the interests of simplification, the Commission is proposing to merge Regulations (EC) Nos 2702/1999 <sup>(4)</sup> and 2826/2000 <sup>(5)</sup> into a single regulation. For the stakeholders of promotion policy, a single legal framework would facilitate access to and participation in the scheme. The Council adopted the regulation on 17 December <sup>(6)</sup>.

On 29 March the Commission adopted a report <sup>(7)</sup> on the application of the system of cross-compliance provided for by Article 8 of Regulation (EC) No 1782/2003 <sup>(8)</sup>. In its conclusions on the report, adopted on 11 June, the Council stressed that the goals for simplification must be achieved rapidly and requested the Commission to ensure that the proposed legislative measures were adopted quickly and, where possible,

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<sup>(1)</sup> Regulation (EC) No 614/2007 (OJ L 149, 9.6.2007).

<sup>(2)</sup> Regulation (EC) No 378/2007 (OJ L 95, 5.4.2007).

<sup>(3)</sup> COM(2007) 268 (OJ C 191, 17.8.2007).

<sup>(4)</sup> OJ L 327, 21.12.1999.

<sup>(5)</sup> OJ L 328, 23.12.2000.

<sup>(6)</sup> Regulation (EC) No 3/2008 (OJ L 3, 5.1.2008).

<sup>(7)</sup> COM(2007) 147 (OJ C 181, 3.8.2007).

<sup>(8)</sup> OJ L 270, 21.10.2003.

could be applied from 2007. On 29 August the Commission proposed amending Council Regulation (EC) No 1782/2003 <sup>(1)</sup>, referred to above, and Regulation (EC) No 1698/2005 <sup>(2)</sup>. The Commission's aim is to implement, from 2008, the conclusions of the report on cross-compliance, inter alia by introducing the concept of minor infringements requiring no reduction in payments and a *de minimis* rule under which a reduction in payments for an infringement might not be applied where that reduction is below a predetermined threshold.

On 13 June the Commission adopted a report <sup>(3)</sup> on the implementation of Regulation (EC) No 814/2000 on information measures relating to the CAP <sup>(4)</sup>. The report describes these measures, both those submitted by third-party organisations and those carried out on the initiative of the Commission, during the financial years 2003–06.

On 26 September the Council adopted a regulation under an emergency procedure derogating from Regulation (EC) No 1782/2003 as regards set-aside for the year 2008 <sup>(5)</sup>. The purpose of the regulation was to reduce the set-aside rate from 10 % to 0 % of agricultural land for sowing in autumn 2007 and spring 2008. The measure should make it possible to increase European cereal production.

On 9 November, as part of the CAP reform, the Commission proposed a revised reform of the support scheme for cotton that takes account of the Court of Justice's decision to annul the existing scheme because of the shortcomings in the impact study carried out by the Commission <sup>(6)</sup>. Under the proposal, 65 % of the aid, subject to cross-compliance, will be decoupled, (i.e. will no longer be dependent on production), while the remaining 35 % will be linked to cotton production in the form of area payments.

On 20 November the Commission adopted a communication 'Preparing for the "health check" of the CAP reform' <sup>(7)</sup>. In it, the Commission gives an overview of the adjustments needed by various elements of the CAP, including the single payment scheme and certain market support instruments, and of how to master new challenges, such as climate change, the growth in biofuels and water management. The purpose of the 'health check' was to rationalise the CAP and further modernise it, the aim being to improve the way it operates on the basis of experience since 2003 and to adjust it in the light of new challenges and the opportunities arising in 2007 in a European Union of 27 Member States. The communication launches a wide-ranging consultation over a period of six months, following which the Commission will present its legislative proposals. The aim is to find answers to three main questions: how to make the system of direct payments more effective and simple; how to ensure that market support

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<sup>(1)</sup> COM(2007) 484 (OJ C 246, 20.10.2007).

<sup>(2)</sup> OJ L 277, 21.10.2005.

<sup>(3)</sup> COM(2007) 324 (OJ C 246, 20.10.2007).

<sup>(4)</sup> OJ L 100, 20.4.2000.

<sup>(5)</sup> Regulation (EC) No 1107/2007 (OJ L 253, 28.9.2007).

<sup>(6)</sup> COM(2007) 701 (OJ C 9, 15.1.2008).

<sup>(7)</sup> COM(2007) 722.

instruments, originally conceived for a Community of six Member States, are relevant in the current world context; and how to master current challenges. The 'health check' is a preliminary to the development by the Commission of its approach to the 2008–09 budgetary review.

On 26 November <sup>(1)</sup>, the Council amended Regulation (EC) No 1290/2005 on the financing of the CAP <sup>(2)</sup>. The purpose of this initiative is to comply with the obligation to publish information on the beneficiaries of Community funding introduced by Regulation (EC, Euratom) No 1995/2006, which lays down that the necessary details are to be stipulated in the corresponding sectoral rules <sup>(3)</sup>.

### ***Rural development***

In its conclusions of 19 March 'Employment in rural areas: closing the jobs gap', the Council recalled the importance of the European model of agriculture for rural employment and preserving the beauty and diversity of the countryside and the need to develop the second CAP pillar further as a key instrument to accompany the reform. In particular, the Council requests the Commission to deliver an updated report and stresses that creating and maintaining jobs must be one of the priorities of rural development programmes.

### ***Product quality***

On 28 June the Council adopted Regulation (EC) No 834/2007 <sup>(4)</sup> on organic production and the labelling of organic products and repealing Regulation (EEC) No 2092/91 <sup>(5)</sup>. The new regulation responds to increased consumer demand seen over recent years and the growth in the market share of organic products in most Member States. It aims to improve product traceability and consumer information by means of compulsory indications, such as 'EU Agriculture', certifying that the agricultural raw material has been farmed in the European Union. It will also offer the possibility of using the Community organic production logo alongside national and private logos. The new regulation confirms the ban on the use of genetically modified organisms and ionising radiation and lays down harmonised rules for the production and marketing of organic products, including processed products, and for controls on the import of such products.

### ***Agricultural prices and related measures***

On 27 June the Commission adopted a report on the evolution of the market in milk products and competing products <sup>(6)</sup>. It takes the view that Regulation (EEC)

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<sup>(1)</sup> Regulation (EC) No 1437/2007 (OJ L 322, 7.12.2007).

<sup>(2)</sup> OJ L 209, 11.8.2005.

<sup>(3)</sup> OJ L 390, 30.12.2006.

<sup>(4)</sup> OJ L 189, 20.7.2007.

<sup>(5)</sup> OJ L 198, 22.7.1991.

<sup>(6)</sup> COM(2007) 360 (OJ C 191, 17.8.2007).

No 1898/87 should continue to apply, since it ensures both the correct labelling of milk and milk products and a level playing field for milk products and competing products. However, in the Commission's view, annual reporting is no longer justified.

### **Common market organisation**

By a decision of 16 April <sup>(1)</sup>, the Council authorised the Commission to vote on behalf of the Community within the International Grains Council in favour of extending the Grains Trade Convention 1995 for a further period of up to two years. On 11 June the Council adopted a regulation on the common organisation of the market in cereals <sup>(2)</sup>. The regulation lays down a ceiling on the quantities of maize eligible for intervention. The legal instrument of intervention is maintained pending re-examination of the operation of the common market organisation (CMO) for cereals as part of the 'health check' to be carried out on the common agricultural policy in 2008.

In the milk and milk products sector, on 26 September the Council adopted a directive and two regulations amending and simplifying the existing legislation:

- Directive 2007/61/EC <sup>(3)</sup> authorises the standardisation of the protein content of certain partly or wholly dehydrated preserved milk for human consumption;
- Regulation (EC) No 1152/2007 <sup>(3)</sup> improves the school milk scheme and simplifies intervention measures for butter;
- Regulation (EC) No 1153/2007 <sup>(3)</sup> liberalises the market for drinking milk by authorising the production and marketing within the Community of milk with different fat contents.

On 12 December the Commission adopted a report on the market outlook for the dairy sector <sup>(4)</sup>. The report examines developments in the production of milk and dairy products, prices for milk and dairy products and the use of market-management tools between 2003 and 2007. The report then goes on to present the EU market outlook for the period 2007–14 and the world outlook for the period 2006–16.

In the fruit and vegetables sector, on 26 September the Council adopted Regulation (EC) No 1182/2007 <sup>(5)</sup> which amends or repeals certain legislative instruments. The regulation, which brings the fruit and vegetables sector into line with the rest of the reformed common agricultural policy, aims to make the sector more competitive and market-orientated to ensure sustainable production that is competitive on the EU market and external markets; to reduce income fluctuations resulting from market crises; to increase the consumption of fruit and vegetables within the European

<sup>(1)</sup> Decision 2007/317/EC (OJ L 119, 9.5.2007).

<sup>(2)</sup> Regulation (EC) No 735/2007 (OJ L 169, 29.6.2007).

<sup>(3)</sup> OJ L 258, 4.10.2007.

<sup>(4)</sup> COM(2007) 800.

<sup>(5)</sup> OJ L 273, 17.10.2007.

Union; to continue the action already started by the sector to preserve and protect the environment; and to reinforce the role of producer organisations.

On 21 December the Commission adopted a regulation <sup>(1)</sup> laying down implementing rules for Council regulations in force in the fruit and vegetables sector <sup>(2)</sup>.

On 22 October the Council adopted Regulation (EC) No 1234/2007 establishing a common organisation of agricultural markets and on specific provisions for certain agricultural products (single CMO regulation) <sup>(3)</sup>. The regulation seeks to simplify the regulatory environment of the CAP by creating a horizontal legal framework for the agricultural markets. The instrument amalgamates in a single regulation the 21 existing common market organisations and the 23 acts of the Council relating to them, based on a horizontal approach.

On 11 June the Council adopted a regulation establishing a quota system in relation to the production of potato starch <sup>(4)</sup>. The regulation extends the existing quotas for the 2007/08 and 2008/09 marketing years. On 22 October the Commission adopted a regulation amending <sup>(5)</sup> Regulation (EC) No 1947/2005 <sup>(6)</sup> as regards national aid granted by Finland for seeds and cereal seed. The new regulation amends the common market organisation, abolishing, after the 2010 harvest, the possibility granted to Finland of paying such aid.

By Decision 2007/316/EC of 16 April <sup>(7)</sup>, the Council authorised the Commission to vote on behalf of the Community within the International Sugar Council in favour of extending the International Sugar Agreement 1992 for a further period of two years until 31 December 2009.

On 7 May the Commission adopted a communication <sup>(8)</sup> and proposals to amend Regulations (EC) Nos 318/2006 and 320/2006 <sup>(9)</sup> relating to the reform of the sugar sector carried out in November 2005. On 9 October the Council adopted amendments to the two regulations <sup>(10)</sup> in view of the low level of restructuring of the sugar industry during the first two years of the reform.

On 11 June, the Council adopted a regulation on the marketing of the meat of bovine animals aged 12 months or less <sup>(11)</sup>.

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<sup>(1)</sup> Regulation (EC) No 1580/2007 (OJ L 350, 31.12.2007).

<sup>(2)</sup> Regulations (EC) Nos 2200/96, 2201/96 and 1182/2007.

<sup>(3)</sup> OJ L 299, 16.11.2007.

<sup>(4)</sup> Regulation (EC) No 671/2007 (OJ L 156, 16.6.2007).

<sup>(5)</sup> Regulation (EC) No 1247/2007 (OJ L 282, 26.10.2007).

<sup>(6)</sup> OJ L 312, 29.11.2005.

<sup>(7)</sup> OJ L 119, 9.5.2007.

<sup>(8)</sup> COM(2007) 227 (OJ C 191, 17.8.2007).

<sup>(9)</sup> OJ L 58, 28.2.2006.

<sup>(10)</sup> Regulations (EC) Nos 1260/2007 and 1261/2007 (OJ L 283, 27.10.2007).

<sup>(11)</sup> Regulation (EC) No 700/2007 (OJ L 161, 22.6.2007).

In a resolution of 15 February Parliament proposed a reform of the common organisation of the market in wine to simplify and harmonise legislation and strengthen competitiveness. Following this, on 4 July the Commission adopted a proposal for a regulation reforming the common organisation of the market in wine <sup>(1)</sup>. It takes the view that a fundamental reform is necessary to replace cost-inefficient policy tools by a more sustainable and coherent legal framework.

On 7 May the Council adopted a regulation authorising the presence of malic acid in wines imported into the Community from Argentina <sup>(2)</sup> against the background of the comprehensive negotiations on, among other things, an agreement between the Community and the Southern Common Market (Mercosur) on the mutual recognition of oenological practices.

### ***European Agricultural Guidance and Guarantee Fund, Guarantee Section***

On 11 June the Council adopted a regulation <sup>(3)</sup> amending Regulation (EEC) No 1883/78 <sup>(4)</sup>. The purpose of this measure is to reduce, in 2007 and 2008, the financial burden of storage operations in Member States in which interest rates are very high, such as in Hungary, the country with the highest stocks of maize.

## **Fisheries and maritime strategy**

### ***Content of the common fisheries policy***

On 10 April the Commission adopted a report on the monitoring of the Member States' implementation of the common fisheries policy (CFP) during the period 2003–05 <sup>(5)</sup>.

On 5 February the Commission adopted a communication on improving fishing capacity and effort indicators under the common fisheries policy <sup>(6)</sup>. The communication seeks to open up a debate on the most appropriate way of quantifying fishing capacity under the CFP.

On 18 April the Commission adopted a proposal for a regulation concerning the establishment of a Community framework for the collection, management and use of data in the fisheries sector and support for scientific advice regarding the CFP <sup>(7)</sup>. The aim is to develop long-term, well-integrated regional sampling programmes covering biological, economic, environmental and social data. Against this background,

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<sup>(1)</sup> COM(2007) 372 (OJ C 191, 17.8.2007).

<sup>(2)</sup> Regulation (EC) No 519/2007 (OJ L 123, 12.5.2007).

<sup>(3)</sup> Regulation (EC) No 734/2007 (OJ L 169, 29.6.2007).

<sup>(4)</sup> OJ L 216, 5.8.1978.

<sup>(5)</sup> COM(2007) 167 (OJ C 181, 3.8.2007).

<sup>(6)</sup> COM(2007) 39 (OJ C 138, 22.6.2007).

<sup>(7)</sup> COM(2007) 196 (OJ C 246, 20.10.2007).

on 13 November the Council adopted a regulation amending <sup>(1)</sup> the regulation establishing a Community framework for the collection and management of the data needed to conduct the CFP.

On 28 March the Commission adopted a communication 'A policy to reduce unwanted by-catch and eliminate discards in European fisheries' <sup>(2)</sup>. The instruments proposed for this policy are the progressive introduction of a discard ban so that eventually all finfish and crustaceans caught will have to be landed, and supplementary measures such as encouragement to improve the selectivity of fishing gear, requirements to change fishing ground and real-time closures.

For its part, in an opinion delivered on 25 April <sup>(3)</sup>, the European Economic and Social Committee gave its views on the Commission communication of July 2006 concerning consideration of the maximum sustainable yield in the CFP <sup>(4)</sup>. The Committee recommends giving careful consideration to the advantages and disadvantages of this principle, from the economic, social and environmental points of view.

On 11 June the Council amended certain provisions of Decision 2004/585/EC establishing regional advisory councils under the CFP to allow them to receive financial aid from the Community as bodies pursuing an aim of general European interest <sup>(5)</sup>.

On 10 July the Council adopted a regulation on the conservation and sustainable exploitation of fisheries resources under the CFP <sup>(6)</sup>. The regulation seeks to adjust the Community fishing fleet in order to improve safety, hygiene, working conditions, product quality and the energy efficiency of vessels.

On the same day Parliament adopted a resolution on industrial fisheries and the production of fishmeal and fish oil. It stressed the importance of continuing research into the impact of industrial fisheries and their effect on other fisheries as well as on the wider marine environment. It emphasised the problem of discards from marine fisheries and called on the Commission to carry out studies to investigate the current situation concerning discards and the possibility of their being used by the industrial fishing sector.

On 25 July the Commission adopted a communication on serious infringements of the rules of the CFP in 2005 <sup>(7)</sup>. Member States notified the Commission of 10 443 cases of serious infringements detected in 2005, slightly up on the previous year (9 660 cases).

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<sup>(1)</sup> Regulation (EC) No 1343/2007 (OJ L 300, 17.11.2007).

<sup>(2)</sup> COM(2007) 136 (OJ C 181, 3.8.2007).

<sup>(3)</sup> OJ C 168, 20.7.2007.

<sup>(4)</sup> COM(2006) 360.

<sup>(5)</sup> Decision 2007/409/EC (OJ L 155, 15.6.2007).

<sup>(6)</sup> Regulation (EC) No 865/2007 (OJ L 192, 24.7.2007).

<sup>(7)</sup> COM(2007) 448 (OJ C 246, 20.10.2007).

### ***Management of fishing activities***

In a communication of 26 February on rights-based management tools in fisheries <sup>(1)</sup>, the Commission examined the options for improving the effectiveness of fisheries management while facilitating the achievement of the basic objectives that are being pursued by the Community and by Member States within the framework of the CFP. These options relate, in particular, to the conservation of fish stocks and the competitiveness of the fisheries sector.

With a view to simplifying and improving the procedures for managing authorisations for fishing activities, on 18 June the Commission adopted a proposal for a regulation concerning authorisations for fishing activities of Community fishing vessels outside Community waters and the access of third-country vessels to Community waters <sup>(2)</sup>.

### ***Combating illegal fishing***

In a resolution <sup>(3)</sup> of 15 February, Parliament reiterated its determination to combat illegal, unreported and unregulated fishing. It takes the view that the first measures the European Union should take are to implement the existing provisions of the CFP and the relevant Community legislation, in order to reduce illegal fishing by Community vessels in Community waters, and to prevent the landing and marketing of products of fish caught illegally outside the Community.

For its part, on 17 October the Commission adopted a communication <sup>(4)</sup> and a proposal for a regulation establishing a Community system to prevent, deter and eliminate illegal, unreported and unregulated fishing <sup>(5)</sup>.

### ***Conservation and management of fishery resources***

On 29 January the Commission adopted a communication 'Review of the management of deep-sea fish stocks' <sup>(6)</sup>.

On 7 May the Council adopted a regulation establishing a multiannual plan for the sustainable exploitation of the stock of sole in the western Channel <sup>(7)</sup> and a regulation laying down technical and conservation measures applicable to the capture and landing of tuna, marlins, swordfish and other highly migratory species and the capture of by-catches by Community fishing vessels <sup>(8)</sup>. On 11 June it adopted a regulation establishing a multiannual plan for fisheries exploiting stocks of plaice and sole in the

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<sup>(1)</sup> COM(2007) 73 (OJ C 138, 22.6.2007).

<sup>(2)</sup> COM(2007) 330 (OJ C 191, 17.8.2007).

<sup>(3)</sup> OJ C 287 E, 29.11.2007.

<sup>(4)</sup> COM(2007) 601 (OJ C 9, 15.1.2008).

<sup>(5)</sup> COM(2007) 602 (OJ C 9, 15.1.2008).

<sup>(6)</sup> COM(2007) 30 (OJ C 138, 22.6.2007).

<sup>(7)</sup> Regulation (EC) No 509/2007 (OJ L 122, 11.5.2007).

<sup>(8)</sup> Regulation (EC) No 520/2007 (OJ L 123, 12.5.2007).

North Sea <sup>(1)</sup> and a regulation introducing new measures to ensure the recovery of stocks of bluefin tuna based on the recommendations of the International Commission for the Conservation of Atlantic Tunas (ICCAT) <sup>(2)</sup>. On 18 September the Council adopted a regulation establishing measures for the recovery of the stock of European eel <sup>(3)</sup> and a regulation establishing a multiannual plan for the cod stocks in the Baltic Sea and the fisheries exploiting those stocks <sup>(4)</sup> and amending and derogating from the regulations in force <sup>(5)</sup>.

On 6 June the Commission adopted a communication on the fishing opportunities for 2008 <sup>(6)</sup>. It explains how the Commission intends to assign fish stocks into a small number of objective categories based on scientific advice, to treat all stocks within each conservation category in the same way and to apply consistent rules concerning adjustments to levels of total allowable catches (TACs), quotas and fishing efforts that it will propose for 2008.

On 11 June the Council adopted a regulation <sup>(7)</sup> to implement at Community level the recovery plan for bluefin tuna adopted by the ICCAT. On 17 December it adopted a similar regulation for the Eastern Atlantic and the Mediterranean <sup>(8)</sup>.

On 22 October the Council adopted a regulation laying down conservation and enforcement measures applicable in the regulatory area of the Northwest Atlantic Fisheries Organisation <sup>(9)</sup>.

On 26 November the Council adopted a regulation fixing the fishing opportunities and associated conditions for certain fish stocks and groups of fish stocks applicable in the Baltic Sea for 2008 <sup>(10)</sup>. On 20 December it adopted a similar regulation for the Black Sea <sup>(11)</sup>.

On 17 December the Council amended Regulations (EC) Nos 2015/2006 and 41/2007 as regards fishing opportunities and associated conditions for certain fish stocks <sup>(12)</sup>.

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<sup>(1)</sup> Regulation (EC) No 676/2007 (OJ L 157, 19.6.2007).

<sup>(2)</sup> Regulation (EC) No 643/2007 (OJ L 151, 13.6.2007).

<sup>(3)</sup> Regulation (EC) No 1100/2007 (OJ L 248, 22.9.2007).

<sup>(4)</sup> Regulation (EC) No 1098/2007 (OJ L 248, 22.9.2007).

<sup>(5)</sup> Regulations (EEC) No 2847/93 and (EC) No 779/97.

<sup>(6)</sup> COM(2007) 295 (OJ C 9, 15.1.2008).

<sup>(7)</sup> Regulation (EC) No 643/2007 (OJ L 151, 13.6.2007).

<sup>(8)</sup> Regulation (EC) No 1559/2007 (OJ L 340, 22.12.2007).

<sup>(9)</sup> Regulation (EC) No 1386/2007 (OJ L 318, 5.12.2007).

<sup>(10)</sup> Regulation (EC) No 1404/2007 (OJ No 312, 30.11.2007).

<sup>(11)</sup> Regulation (EC) No 1579/2007 (OJ L 346, 29.12.2007).

<sup>(12)</sup> Regulation (EC) No 1533/2007 (OJ L 337, 21.12.2007).

### ***Fisheries agreements with non-member countries***

In 2007 the Commission embarked on the renegotiation of fisheries agreements and protocols with a number of non-member countries. The new partnership agreements, which provide the means to ensure the sustainable exploitation of resources in the interests of all parties, also aim to guarantee greater consistency between the various Community policies. During the year, such agreements were concluded with Gabon, Greenland, Kiribati, Madagascar, Mozambique and São Tomé and Príncipe.

On 15 October the Commission adopted a proposal for a regulation concerning modifications to protocols of fisheries partnership agreements concluded between the European Community and third countries <sup>(1)</sup>.

### ***Maritime policy***

In an opinion <sup>(2)</sup> of 13 February on the Green Paper 'Towards a future maritime policy for the Union: a European vision for the oceans and seas', published in June 2006 <sup>(3)</sup>, the Committee of the Regions welcomed the fact that the Commission has recognised the importance of the regional dimension in the management of maritime activities. For its part, the European Economic and Social Committee issued a favourable opinion <sup>(4)</sup> on 26 April in which it endorsed most of the proposals contained in the Green Paper.

On 12 July Parliament adopted a resolution on future maritime policy for the European Union. It takes the view that this policy calls for the integration of policies, actions and decisions relating to maritime affairs and promotes better coordination, more openness and increased cooperation between all players whose actions have an impact on Europe's oceans and seas.

On 7 June the Commission adopted a communication <sup>(5)</sup> following its evaluation of the EU recommendation on integrated coastal zone management. It identifies two priority themes for coastal areas: adaptation to climate change and risks and increased cooperation concerning regional seas, including better coherence between plans and programmes and the management of the land-sea interface.

On 17 October the Commission adopted a proposal for a regulation on the protection of vulnerable marine ecosystems in the high seas from the adverse impacts of bottom fishing gears <sup>(6)</sup>.

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<sup>(1)</sup> COM(2007) 595 (OJ C 4, 9.1.2008).

<sup>(2)</sup> OJ C 146, 30.6.2007.

<sup>(3)</sup> COM(2006) 275.

<sup>(4)</sup> OJ C 168, 20.7.2007.

<sup>(5)</sup> COM(2007) 308 (OJ C 191, 17.8.2007).

<sup>(6)</sup> COM(2007) 605.

### **General references and other useful links**

- Directorate-General for the Environment:  
[http://ec.europa.eu/environment/index\\_en.htm](http://ec.europa.eu/environment/index_en.htm)
- Sustainable development:  
<http://ec.europa.eu/environment/eussd/>
- Climate change:  
[http://europa.eu/press\\_room/presspacks/climate/index\\_en.htm](http://europa.eu/press_room/presspacks/climate/index_en.htm)  
[http://ec.europa.eu/environment/climat/home\\_en.htm](http://ec.europa.eu/environment/climat/home_en.htm)
- Kyoto Protocol:  
<http://ec.europa.eu/environment/climat/kyoto.htm>
- Directorate-General for Agriculture and Rural Development:  
[http://ec.europa.eu/agriculture/index\\_en.htm](http://ec.europa.eu/agriculture/index_en.htm)
- Directorate-General for Fisheries and Maritime Affairs:  
[http://ec.europa.eu/dgs/fisheries/index\\_en.htm](http://ec.europa.eu/dgs/fisheries/index_en.htm)

### *Section 3*

## **Promoting common values within the European Union**

### **Protecting fundamental rights and combating discrimination**

#### ***European Union Agency for Fundamental Rights***

The European Union Agency for Fundamental Rights <sup>(1)</sup> was established by a regulation adopted by the Council on 15 February <sup>(2)</sup>. The objective of the Agency is to provide the institutions, bodies, offices and agencies of the Community and its Member States with assistance and expertise relating to fundamental rights in order to support them in fully respecting these rights when they implement Community law.

That same day, the Commission received the authorisation to open negotiations with the Council of Europe with a view to the conclusion of a cooperation agreement between the Agency and the Council of Europe. On 21 August the Commission adopted a proposal for a Council decision on the conclusion of such an agreement between the European Community and the Council of Europe <sup>(3)</sup>. The agreement negotiated by the Commission provides for regular contacts and meetings, the exchange of information

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<sup>(1)</sup> See also 'Protecting and promoting common values beyond the borders of the European Union' in Chapter V, Section 3, of this Report'.

<sup>(2)</sup> Regulation (EC) No 168/2007 (OJ L 53, 22.2.2007).

<sup>(3)</sup> COM(2007) 478 (OJ C 246, 20.10.2007).

with due respect for the rules on data protection and the coordination of activities, particularly with regard to preparation of the Agency's annual work programme.

On 12 September the Commission adopted a proposal for a decision implementing Regulation (EC) No 168/2007 as regards the adoption of a multiannual framework for the Agency for 2007–12 <sup>(1)</sup>. The proposal contains the thematic areas for the activities of the Agency over the period in question.

### ***Consular protection***

In an opinion <sup>(2)</sup> of 14 March on the Green Paper on diplomatic and consular protection of European Union citizens in third countries published in November 2006 <sup>(3)</sup>, the European Economic and Social Committee noted that the right to diplomatic and consular protection for European Union citizens in third countries strengthens the idea of EU citizenship. The Committee welcomed the proposal to extend protection to include EU citizens' family members, where they are citizens of third countries, and to extend the protection provided to include the identification and transfer of corpses of EU citizens and members of their families who do not have EU citizenship.

On 5 December the Commission adopted a communication entitled 'Effective consular protection in third countries: the contribution of the European Union — Action plan 2007–09' <sup>(4)</sup>. This communication aims to strengthen the right of European Union citizens to Community consular protection, enshrined in Article 20 of the EC Treaty and taken up in Article 46 of the Charter of Fundamental Rights. It is the follow-up to the public consultation launched by the publication of the Green Paper in February 2006.

### ***Actions within the European Union***

On 26 April the European Parliament adopted a resolution on homophobia in Europe. It underlines that the European Union is first and foremost a community of values, with respect for human rights and fundamental freedoms, democracy and the rule of law, equality and non-discrimination among its most cherished values. Parliament called for worldwide decriminalisation of homosexuality and announced that it would mark the International Day against Homophobia on 17 May each year.

### ***European Group on Ethics in Science and New Technologies***

In 2007 the European Group on Ethics in Science and New Technologies (EGE) worked towards the publication, in December, of an opinion on the ethical aspects of animal cloning for food supply. To encourage civil society to become involved, a round table

<sup>(1)</sup> COM(2007) 515 (OJ C 4, 9.1.2008).

<sup>(2)</sup> OJ C 161, 13.7.2007.

<sup>(3)</sup> COM(2006) 712 (OJ C 126, 7.6.2007).

<sup>(4)</sup> COM(2007) 767.

was held in September, followed by the publication of the proceedings, and a public consultation was organised. Over 800 contributions received through this consultation enabled the EGE to finalise the adoption of the opinion on animal cloning for food supply.

In July the EGE adopted an opinion on the ethical review of projects financed by the European Union concerning research on human embryonic stem cells. The EGE recognised the need for promoting responsible research that is transparent, serves the public interest, respects Member States' autonomy, preserves public trust, promotes international cooperation and requires the embedding of ethics within research practice. The group also suggested considerations that should be taken into account in EU-funded research projects involving the use of human embryonic stem cells.

Throughout the year the EGE organised meetings with the national ethics committees (NEC) and representatives of the Forum of National Ethics Councils (NEC Forum) in the 27 Member States, in order to gather the necessary information on the ethical, legislative and social aspects of the matters discussed by the group.

On 28 and 29 November 2007 the Commission hosted the seventh meeting of the United Nations Inter-Agency Committee on Bioethics, which brings together organisations active in this field. This event is an important platform for interinstitutional discussions on matters relating to bioethics and ethics in science.

## Culture

In its communication on a European agenda for culture in a globalising world<sup>(1)</sup>, adopted on 10 May, the Commission proposes a new agenda, based on shared objectives and new forms of partnership with the Member States and civil society. It identifies three main sets of objectives: promotion of cultural diversity and intercultural dialogue, promotion of culture as a catalyst for creativity in the framework of the Lisbon strategy and promotion of culture as a vital element in the Union's international relations. To achieve these objectives, the Commission suggests new partnerships and working methods: pursuing a structured dialogue with the cultural sector, setting up an open method of coordination, supporting evidence-based policymaking and mainstreaming culture in all relevant policies. In a resolution adopted on 16 November the Council endorsed the three objectives that will form a common cultural strategy, together with the main working methods proposed by the Commission.

The year 2008 has been proclaimed the European Year of Intercultural Dialogue, with the aim of establishing a foundation for sustained European policy initiatives in the field of intercultural dialogue beyond 2008. It is also an active expression of the impact

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(1) COM(2007) 242 (OJ C 181, 3.8.2007).

of the new European agenda for culture in a globalising world, in which promotion of cultural diversity and intercultural dialogue is one of the three key objectives. The Year has been allocated a budget of EUR 10 million to support the information campaign, conduct surveys and studies on intercultural dialogue, and co-finance the seven flagship European projects and 27 national projects (one for each Member State) on intercultural dialogue across the European Union. The <http://www.dialogue2008.eu> website has also been inaugurated.

## **Youth, active citizenship and sport**

### ***Youth policy***

On 23 March the Committee of the Regions issued an opinion <sup>(1)</sup> on the Commission communication on European policies concerning youth participation and information <sup>(2)</sup>. In this opinion it judged it essential, especially given the current debate on the future of Europe, to step up participation by, and information for, young people in the communities where they live, in order to increase their feeling of belonging to the Union, ensure that they can exercise the rights set out in the European Union's Charter of Fundamental Rights, and help give new impetus to the European venture by making the concept of European citizenship a reality.

At its meeting on 24 and 25 May the Council considered the full participation of young people in society and equal opportunities for all young people in Europe. It called on the Member States and the Commission to facilitate the transition from school to working life, to contribute to reconciling family, private and professional life, and to prioritise the concerns of young people in the national reform programmes and the key policies which affect the quality of life of young people.

On 5 September the Commission adopted a communication entitled 'Promoting young people's full participation in education, employment and society' <sup>(3)</sup>. In the Commission's view, developing cross-cutting youth strategies must be a priority — at both EU and national levels — covering a broad range of policy areas such as education, employment, health, enterprise, culture, youth and sport.

### ***Sport***

The Commission took an initiative to address sports-related issues in a comprehensive manner with the presentation on 11 July of a White Paper on sport <sup>(4)</sup>. This draws attention to issues such as the application of EU law to sport and seeks to set out further sports-related action at EU level. The White Paper is made up of four sections,

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<sup>(1)</sup> OJ C 156, 7.7.2007.

<sup>(2)</sup> COM(2006) 417.

<sup>(3)</sup> COM(2007) 498 (OJ C 4, 9.1.2008).

<sup>(4)</sup> COM(2007) 391 (OJ C 4, 9.1.2008).

relating to the societal role of sport, its economic dimension, the organisation of sport, and the follow-up to the initiatives presented in the White Paper through the implementation of a structured dialogue with sport stakeholders and cooperation with the Member States. Concrete proposals for future EU action are brought together in an action plan named after Pierre de Coubertin which contains activities to be conducted or supported by the Commission.

On 29 March the European Parliament adopted a resolution on the future of professional football in Europe. It took note of the many problems encountered in this field and of the importance of the sport in Europe and certain third countries. On 11 October the Committee of the Regions adopted an own-initiative opinion on equal opportunities and sport.

### **General references and other useful links**

- Human rights:  
[http://europa.eu/pol/rights/index\\_en.htm](http://europa.eu/pol/rights/index_en.htm)
- European Group on Ethics in Science and New Technologies:  
[http://ec.europa.eu/european\\_group\\_ethics/index\\_en.htm](http://ec.europa.eu/european_group_ethics/index_en.htm)
- Youth:  
[http://ec.europa.eu/youth/index\\_en.html](http://ec.europa.eu/youth/index_en.html)
- Active citizenship:  
[http://ec.europa.eu/citizenship/action1/index\\_en.html](http://ec.europa.eu/citizenship/action1/index_en.html)
- Town twinning:  
[http://ec.europa.eu/towntwinning/index\\_en.html](http://ec.europa.eu/towntwinning/index_en.html)
- Sport:  
[http://ec.europa.eu/sport/index\\_en.html](http://ec.europa.eu/sport/index_en.html)
- Culture:  
[http://ec.europa.eu/culture/eac/index\\_en.html](http://ec.europa.eu/culture/eac/index_en.html)
- European Year of Intercultural Dialogue  
<http://www.interculturaldialogue2008.eu/333.html?L=0>



## Chapter IV

# Security and freedom

## Section 1

### European area of freedom, security and justice

#### Implementing the Hague programme

##### **Background**

*The Hague programme, covering the period 2005–09, encompasses all aspects of policies on freedom, security and justice, including the external dimension, notably 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 programme is accompanied by a strategy on drugs adopted by the European Council in December 2004.*

*In 2005 a joint Council and Commission action plan set the priorities on which the Hague programme was to focus in the years ahead. A strategy for the external dimension of the area of freedom, security and justice was also mapped out.*

On 3 July the Commission adopted a report on the implementation of the Hague programme for 2006 <sup>(1)</sup>. The report reviews the adoption of measures provided for in the programme, including those under the drugs action plan, the strategy on the external aspects of the area of freedom, security and justice and the action plan on the fight against terrorism, which supplement the Hague programme plan. It takes stock of all the actions scheduled for 2006 or not achieved in 2005, as well as those taken on a regular or ongoing basis.

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<sup>(1)</sup> COM(2007) 373 (OJ C 191, 17.8.2007).

## European law-enforcement area

### *Fundamental rights*

On 19 April the Council adopted a decision <sup>(1)</sup> establishing, for the period 2007–13, the specific programme ‘Fundamental rights and citizenship’ as part of the general programme ‘Fundamental rights and justice’. The programme’s objectives are to promote the development of a European society based on respect for fundamental rights; to strengthen civil society and encourage an open, transparent and regular dialogue with it in respect of fundamental rights; to fight against racism, xenophobia and anti-Semitism; and to enhance mutual trust and intercultural and inter-faith understanding and improve tolerance throughout the European Union.

On 20 June the European Parliament and the Council adopted a decision <sup>(2)</sup> establishing, for the period 2007–13, the specific programme ‘Daphne III’ as part of the general programme ‘Fundamental rights and justice’. The programme’s objectives are to contribute to the protection of children, young people and women against all forms of violence and to attain a high level of health protection, well-being and social cohesion.

### *Civil and commercial justice*

On 11 July the European Parliament and the Council adopted Regulation (EC) No 864/2007 on the law applicable to non-contractual obligations (Rome II) <sup>(3)</sup>. The same day they adopted Regulation (EC) No 861/2007 <sup>(3)</sup> intended to simplify and speed up litigation concerning small claims in cross-border cases and to reduce costs by establishing a European small claims procedure.

On 25 September the European Parliament and the Council adopted a decision <sup>(4)</sup> establishing, for the period 2007–13, the specific programme ‘Civil justice’ as part of the general programme ‘Fundamental rights and justice’. The programme’s objectives are to promote judicial cooperation with the aim of contributing to the creation of a genuine European area of justice in civil matters based on mutual recognition and mutual confidence, to promote the elimination of obstacles to the good functioning of cross-border civil proceedings in the Member States, to improve the daily life of individuals and businesses by enabling them to assert their rights throughout the European Union, notably by fostering access to justice, and to improve the contacts, exchange of information and networking between legal, judicial and administrative authorities and the legal professions, including by way of support of judicial training, with the aim of better mutual understanding.

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<sup>(1)</sup> Decision 2007/252/EC (OJ L 110, 27.4.2007 and OJ L 141, 2.6.2007).

<sup>(2)</sup> Decision 779/2007/EC (OJ L 173, 3.7.2007).

<sup>(3)</sup> OJ L 199, 31.7.2007.

<sup>(4)</sup> Decision 1149/2007/EC (OJ L 257, 3.10.2007).

## ***Criminal justice***

On 12 February the Council adopted a decision<sup>(1)</sup> establishing, for the period 2007–13, the specific programme ‘Criminal justice’ as part of the general programme ‘Fundamental rights and justice’. This decision will help strengthen the area of freedom, security and justice.

On 11 July the Commission adopted a report<sup>(2)</sup> on the implementation, since 2005, of the Council framework decision of 13 June 2002 on the European arrest warrant and the surrender procedures between Member States. It sets out to identify good practice in the Member States and the problems remaining in transposing the European arrest warrant. It confirms that, despite an initial delay of up to 16 months and difficulties due to constitutional requirements in at least two Member States, implementation of the framework decision has been a success. The European arrest warrant has been operational in all the Member States since 1 January and its positive impact is borne out daily in terms of judicial control, efficiency and speed, always with full respect for fundamental rights.

## **Police and customs cooperation**

### ***Europol and CEPOL***

On 15 February the Council adopted a decision adding Montenegro to the list of third States and non-EU-related bodies with which Europol’s Director is authorised to enter into negotiations<sup>(3)</sup>. The same day the Director was given the go-ahead to conclude a draft agreement with Australia with the aim of helping Member States and Australia tackle serious forms of international crime, notably through exchange of information and regular contacts at the appropriate levels.

### ***Data protection and exchange of information***

On 7 March the Commission adopted a communication on the follow-up of the work programme for better implementation of the data protection directive<sup>(4)</sup> set out in its first report on the implementation of the directive<sup>(5)</sup>. In it the Commission examined the progress made and still to be made under the work programme. In the Commission’s view the general legal framework laid down in the directive is substantially appropriate and technologically neutral and ensures a high standard of protection for personal data throughout the European Union with considerable benefits for citizens, business and authorities. As a consequence, the Commission does not envisage submitting a legislative proposal to amend the directive. On the other hand a series of steps will be

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(1) Decision 2007/126/JHA (OJ L 58, 24.2.2007).

(2) COM(2007) 407 (OJ C 191, 17.8.2007).

(3) Decision 2007/117/EC (OJ L 51, 20.2.2007).

(4) COM(2007) 87 (OJ C 138, 22.6.2007).

(5) COM(2003) 265 (OJ C 76, 25.3.2004).

taken to improve its operation and the Member States will have to ensure that national legislation is implemented properly. In order to reduce the discrepancies between such national legislation the Commission intends to frame an interpretative communication concerning a number of provisions: the work programme will be pursued; the working group must do more to help harmonise the practices followed by the control authorities; and the need for specific legislation will be considered in cases where a particular type of technology regularly causes data protection problems.

On 2 May the Commission adopted a communication on promoting data protection by privacy enhancing technologies or PETs <sup>(1)</sup>. Those technologies should make it harder to breach certain data protection rules and help detect such breaches. The communication points up the advantages of such technologies and the Commission's goals in furthering them. It defines measures to achieve those goals by backing the development of such technologies and their use, both by those responsible for processing data and by consumers.

On 12 June the Council adopted a decision defining the rules on access to and use of personal data held by Europol, their security and how long the data may be kept <sup>(2)</sup>. On 23 July it adopted a decision on the signing of an agreement between the European Union and the United States on the processing and transfer of passenger name record (PNR) data by air carriers to the United States Department of Homeland Security <sup>(3)</sup>.

On 12 July the European Parliament adopted a resolution on the PNR agreement with the United States in which it expressed concern at the persistent lack of legal certainty as regards the consequences and scope of the obligations imposed on the airlines.

## **Fight against terrorism, crime and drugs**

### ***Fight against terrorism***

On 12 February the Council adopted a decision <sup>(4)</sup> establishing, for 2007–13, a specific programme on prevention, preparedness and consequence management of terrorism and other security-related risks. Its aim is to support Member States' efforts to prevent and prepare for terrorist attacks and other security risks and to protect people and infrastructure.

On 15 February the European Parliament adopted a resolution on the external dimension of the fight against terrorism <sup>(5)</sup>. It stressed the urgent need fully and properly to implement all the political measures adopted at the highest political level as part of

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<sup>(1)</sup> COM(2007) 228 (OJ C 181, 3.8.2007).

<sup>(2)</sup> Decision 2007/413/JHA (OJ L 155, 15.6.2007).

<sup>(3)</sup> Decision 2007/551/CFSP/JHA (OJ L 204, 4.8.2007).

<sup>(4)</sup> Decision 2007/124/EC, Euratom (OJ L 58, 24.2.2007).

<sup>(5)</sup> OJ C 287 E, 29.11.2007.

the European Union counter-terrorism strategy, the action plan and the strategy for combating radicalisation and recruitment to terrorism, so that the mechanisms and other proposals set out in those documents can result as soon as possible in specific and effective measures. Parliament recommended that the European Union make its anti-terrorist policy more coherent and effective in its relations with third countries, and called on the Commission and the European Counter-Terrorism Coordinator to table an annual report to it on their activities in this field and to take due account of Parliament's observations and recommendations in that regard.

On 11 July the Commission adopted a Green Paper on bio-preparedness <sup>(1)</sup>. The aim is to stimulate a debate and launch a consultation process at European level on awareness of the existing legislative framework and shortcomings in implementing it. Improving the Union's ability to prevent, respond to and recover from a biological incident or deliberate criminal act requires coherent action in different policy sectors, which means that all stakeholders in the Member States and at European level need to be consulted. Political action involving the creation of a European programme on bio-risks, underpinned by a European network and a plan of action, could be envisaged on the strength of the consultation's findings.

On 6 November the Commission adopted a package of proposals aimed at reinforcing the Union's capabilities in the fight against terrorism. The package includes proposals to introduce penalties for public provocations to commit terrorist offences and for recruitment and training for terrorist purposes, including via the Internet <sup>(2)</sup>, a proposal for a framework decision on the use of PNR data for law-enforcement purposes <sup>(3)</sup>, a communication aimed at combating the use of explosive devices by terrorists in the Union <sup>(4)</sup>, a proposal for a framework decision amending the existing framework decision <sup>(5)</sup> on combating terrorism <sup>(6)</sup> and a report on the implementation of the framework decision on combating terrorism <sup>(7)</sup>. The basic aim of the security package is to equip legal systems in all the Member States of the Union with adequate instruments to bring criminals involved in terrorist activities to justice.

### ***Fight against crime***

On 12 February the Council adopted a decision <sup>(8)</sup> establishing, as part of the general programme 'Security and safeguarding liberties', the specific programme 'Prevention of and fight against crime'. The programme's objective is to contribute to a high level of security for citizens by preventing and fighting crime, in particular terrorism,

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<sup>(1)</sup> COM(2007) 399 (OJ C 191, 17.8.2007).

<sup>(2)</sup> COM(2007) 649.

<sup>(3)</sup> COM(2007) 654.

<sup>(4)</sup> COM(2007) 651.

<sup>(5)</sup> Framework decision 2002/475/JHA (OJ L 164, 22.6.2002).

<sup>(6)</sup> COM(2007) 650.

<sup>(7)</sup> COM(2007) 681.

<sup>(8)</sup> Decision 2007/125/JHA (OJ L 58, 24.2.2007).

trafficking in human beings and offences against children, illicit drug trafficking, arms trafficking, corruption and fraud.

On 22 May the Commission adopted a communication entitled 'Towards a general policy on the fight against cyber crime' <sup>(1)</sup>. In the light of the needs identified and the limited powers of the Union in this field, the policy will focus on measures designed to boost international cooperation and coordination in order to strengthen operational collaboration between police authorities in the different Member States.

On 18 June the Commission adopted a report <sup>(2)</sup> on the Council framework decision on combating corruption in the private sector. As the Commission has no authority under the third pillar to initiate infringement procedures against Member States, the report is limited to a factual evaluation of the transposal measures adopted, with the Commission expressing concern at the delays and reminding Member States of the importance attached to tackling private-sector corruption.

On 17 and 20 December the Commission adopted a report <sup>(3)</sup> on the implementation of the Council framework decision <sup>(4)</sup> on confiscation of crime-related proceeds, instrumentalities and property, and a report <sup>(5)</sup> on the implementation of the Council decision <sup>(6)</sup> concerning arrangements for cooperation between financial intelligence units of the Member States in respect of exchanging information.

### ***Fight against drugs***

On 25 September the European Parliament and the Council adopted a decision <sup>(7)</sup> establishing, for 2007–13, the specific programme 'Drug prevention and information' as part of the general programme 'Fundamental rights and justice'. The programme's objectives are to prevent and reduce drug use, drug dependence and drug-related harm and to support the implementation of the European Union drugs strategy.

On 10 December the Commission adopted a communication on the implementation of the European Union action plan on drugs for 2005–08 <sup>(8)</sup>. The communication provides a general overview of the key elements of the European Union drugs policy, describes in detail how the objectives and actions adopted in the drugs action plan for 2005–08 are being implemented, and sets out the conclusions of the 2007 progress review. The communication indicates the progress made in demand-side and supply-side reduction, and discusses fundamental issues including coordination, international

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<sup>(1)</sup> COM(2007) 267 (OJ C 191, 17.8.2007).

<sup>(2)</sup> COM(2007) 328 (OJ C 246, 20.10.2007).

<sup>(3)</sup> COM(2007) 805.

<sup>(4)</sup> Framework decision 2005/212/JHA (OJ L 68, 15.3.2005).

<sup>(5)</sup> COM(2007) 827.

<sup>(6)</sup> Decision 2000/642/JHA (OJ L 271, 24.10.2000).

<sup>(7)</sup> Decision 1150/2007/EC (OJ L 257, 3.10.2007).

<sup>(8)</sup> COM(2007) 781.

cooperation and information, research and evaluation. It includes detailed information received from all the Commission services involved, and from the European Monitoring Centre for Drugs and Drug Addiction and Europol.

On 17 July the Commission adopted a proposal for a Council decision on defining 1-benzylpiperazine (BZP) as a new synthetic drug which is to be made subject to control measures and criminal provisions <sup>(1)</sup>.

## **Border management and immigration**

### ***Migration flows, asylum and immigration***

On 13 February the Committee of the Regions adopted an opinion <sup>(2)</sup> on the Commission communications 'Policy plan on legal migration' <sup>(3)</sup> and 'Policy priorities in the fight against illegal immigration of third-country nationals' <sup>(4)</sup> and on the Green Paper on the future of the European migration network <sup>(5)</sup>. The Committee emphasised the key role played by local and regional bodies owing to the experience they have gained through their relations with countries of origin and their measures to integrate immigrants, particularly in the fields of healthcare, housing, education and employment.

On 16 May the Commission adopted a communication on applying the global approach to migration to the eastern and south-eastern regions neighbouring the European Union <sup>(6)</sup>, and a communication on circular migration and mobility partnerships between the European Union and third countries <sup>(7)</sup>. Both communications are a response to the request from the European Council in December 2006 aimed at strengthening the dialogue with third countries on migration issues and identifying specific measures. The same day the Commission presented a proposal for a directive providing for sanctions against employers of illegally staying third-country nationals <sup>(8)</sup>.

In May the Council adopted a series of decisions establishing several funds as part of the general programme 'Solidarity and management of migration flows' for the period 2008–13: the External Borders Fund <sup>(9)</sup>, the European Refugee Fund <sup>(10)</sup> and the European Return Fund <sup>(11)</sup>.

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<sup>(1)</sup> COM(2007) 430 (OJ C 191, 17.8.2007).

<sup>(2)</sup> OJ C 146, 30.6.2007.

<sup>(3)</sup> COM(2005) 669 (OJ C 70, 22.3.2006).

<sup>(4)</sup> COM(2006) 402 (OJ C 78, 11.4.2007).

<sup>(5)</sup> COM(2005) 606 (OJ C 49, 28.2.2006).

<sup>(6)</sup> COM(2007) 247 (OJ C 191, 17.8.2007).

<sup>(7)</sup> COM(2007) 248 (OJ C 191, 17.8.2007).

<sup>(8)</sup> COM(2007) 249 (OJ C 191, 17.8.2007).

<sup>(9)</sup> Decision 574/2007/EC (OJ L 144, 6.6.2007).

<sup>(10)</sup> Decision 573/2007/EC (OJ L 144, 6.6.2007).

<sup>(11)</sup> Decision 575/2007/EC (OJ L 144, 6.6.2007).

The aim of the External Borders Fund is to contribute to a more efficient organisation of checks and surveillance at the external borders, the efficient management of the flows of persons at the external borders, the uniform application by border guards of Community law on the crossing of borders, and better management of action taken by consular services of the Member States in third countries with regard to flows of third-country nationals. The aim of the European Refugee Fund is to support and encourage the Member States in welcoming refugees and displaced persons and in managing the impact of their efforts, taking account of Community legislation in the field. This decision replaces the second-generation Fund (2005–10) in order to support the new objectives of the Hague programme, in particular in the field of practical cooperation and resettlement. And lastly, the European Return Fund is designed to support the efforts made by the Member States to improve the management of return in all its dimensions through the use of the concept of integrated return management. It provides for joint actions by Member States or national actions under the principle of solidarity and the Community legislation in the field and in compliance with fundamental rights.

On 6 June the Commission presented a Green Paper on the future common European asylum system <sup>(1)</sup> as part of the implementation of the Hague programme. The Green Paper seeks to identify the available options under the current Community legal framework for shaping the second stage of the construction of a common European asylum system. The findings of the consultation will provide the basis for an action programme to be published in 2008.

The same day the Commission adopted a report on the evaluation of the Dublin system <sup>(2)</sup>, designed to determine which Member State is responsible for examining an asylum application lodged by a third-country national on the territory of one of the Member States, or in Iceland or Norway.

On 25 June the Council adopted a decision <sup>(3)</sup> establishing, for the period 2007–13, the European Fund for the Integration of Third-country Nationals as part of the general programme 'Solidarity and management of migration flows'. The Fund will support the efforts made by the Member States to enable third-country nationals from different economic, social, cultural, religious, linguistic and ethnic backgrounds to fulfil the conditions for residence and to facilitate their integration into European society.

On 11 July the European Parliament and the Council adopted a regulation on Community statistics on migration and international protection <sup>(4)</sup>. Its purpose is to

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<sup>(1)</sup> COM(2007) 301 (OJ C 191, 17.8.2007).

<sup>(2)</sup> COM(2007) 299 (OJ C 191, 17.8.2007).

<sup>(3)</sup> Decision 2007/435/EC (OJ L 168, 28.6.2007).

<sup>(4)</sup> Regulation (EC) No 862/2007 (OJ L 199, 31.7.2007).

ensure better availability, reliability and comparability of these statistics throughout the Union.

On 10 August the Commission adopted a proposal for a decision establishing a European migration network <sup>(1)</sup>. The network's aim is to meet the information needs of Community institutions, Member States' authorities and the public on asylum and migration with a view to supporting policy- and decision-making in the European Union in these areas. The financial framework earmarks EUR 56.7 million for the period 2008–13.

On 11 September the Commission presented the third annual report on migration and integration <sup>(2)</sup>. This report discusses Community and national initiatives taken to improve the integration of third-country nationals.

Two proposals for directives concerning economic migration were presented on 23 October. The first is for a framework directive establishing criteria for allowing highly qualified third-country nationals to enter the European Union and introducing a European 'blue card' for that purpose <sup>(3)</sup>. The second is for a directive on a single application procedure for a residence and work permit and on a common set of rights for third-country workers legally residing in a Member State <sup>(4)</sup>.

On 26 November the Commission published a report <sup>(5)</sup> on the application of the directive laying down minimum standards for the reception of asylum-seekers (Directive 2003/9/EC of 27 January 2003, often referred to as the reception conditions directive). The results of the report, along with the conclusions of the consultation on the Green Paper on the future common European asylum system, will provide the basis for a more harmonised legislative framework regarding reception conditions by 2010 in line with the objectives of the Hague programme.

On 5 December the Commission adopted a communication 'Towards a common immigration policy' <sup>(6)</sup> highlighting how the Union can best face up to the current challenges posed by immigration by developing a new commitment to build a common European policy on immigration that better exploits economic opportunities and integration measures, and is based on solidarity and burden sharing.

### ***Visas, crossing of borders and internal movement***

On 1 June the agreements between the European Community and Russia on the facilitation of issuance of short-stay visas <sup>(7)</sup> and on readmission <sup>(8)</sup> came into force.

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<sup>(1)</sup> COM(2007) 466 (OJ C 246, 20.10.2007).

<sup>(2)</sup> COM(2007) 512 (OJ C 4, 9.1.2008).

<sup>(3)</sup> COM(2007) 637.

<sup>(4)</sup> COM(2007) 638.

<sup>(5)</sup> COM(2007) 745.

<sup>(6)</sup> COM(2007) 780.

<sup>(7)</sup> Decision 2007/340/EC (OJ L 129, 17.5.2007).

<sup>(8)</sup> Decision 2007/341/EC (OJ L 129, 17.5.2007).

The agreement on short-stay visas facilitates, on the basis of reciprocity, the issuing of visas for intended stays of no more than 90 days per 180-day period to citizens of the two parties. It does not apply to Denmark, Ireland or the United Kingdom. The readmission agreement establishes, on the basis of reciprocity, rapid and effective procedures for identifying and returning persons who do not fulfil the conditions for entry to, presence in or residence on the territories of Russia or of one of the Member States, and facilitates their transit in a spirit of cooperation. It does not apply to Denmark.

The agreements between the European Community and Ukraine on the facilitation of issuance of short-stay visas <sup>(1)</sup> and on readmission <sup>(2)</sup> were adopted on 29 November. Analogous agreements were adopted with Albania <sup>(3)</sup> (solely on the issuance of visas), the former Yugoslav Republic of Macedonia <sup>(4)</sup>, Bosnia and Herzegovina <sup>(5)</sup>, the Republic of Montenegro <sup>(6)</sup> and the Republic of Serbia <sup>(7)</sup> on 8 November and with the Republic of Moldova <sup>(8)</sup> on 22 November.

On 11 July the Council adopted Regulation (EC) No 863/2007 establishing a mechanism for the creation of rapid border intervention teams <sup>(9)</sup>. The mechanism will provide operational assistance for a limited period to a requesting Member State facing urgent and exceptional pressure at its external borders due to large numbers of third-country nationals trying to enter its territory illegally.

On 25 April the first common visa application centre was officially inaugurated in Chisinau, Moldova <sup>(10)</sup>. It will facilitate the issuing of visas for Moldovan citizens.

### ***Schengen information system***

On 29 January the Council adopted the Sisnet budget for 2007 (communication infrastructure for the Schengen environment) <sup>(11)</sup>. The budget was set at EUR 4 099 000.

On 16 March the Commission adopted two decisions laying down the network requirements for the Schengen information system II <sup>(12)</sup>.

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<sup>(1)</sup> Decision 2007/840/EC (OJ L 332, 18.12.2007).

<sup>(2)</sup> Decision 2007/839/EC (OJ L 332, 18.12.2007).

<sup>(3)</sup> Decision 2007/821/EC (OJ L 334, 19.12.2007).

<sup>(4)</sup> Decisions 2007/824/EC and 2007/817/EC (OJ L 334, 19.12.2007).

<sup>(5)</sup> Decisions 2007/822/EC and 2007/820/EC (OJ L 334, 19.12.2007).

<sup>(6)</sup> Decisions 2007/823/EC and 2007/818/EC (OJ L 334, 19.12.2007).

<sup>(7)</sup> Decisions 2007/825/EC and 2007/819/EC (OJ L 334, 19.12.2007).

<sup>(8)</sup> Decisions 2007/827/EC and 2007/826/EC (OJ L 334, 19.12.2007).

<sup>(9)</sup> OJ L 199, 31.7.2007.

<sup>(10)</sup> IP/07/561.

<sup>(11)</sup> Decision 2000/265/EC (OJ L 85, 6.4.2000).

<sup>(12)</sup> Decisions 2007/170/EC and 2007/171/EC (OJ L 79, 20.3.2007).

On 12 June the Council adopted a decision on the application of the Schengen *acquis* relating to the SIS in the Member States which acceded to the European Union in 2004 <sup>(1)</sup> (with the exception of Cyprus).

The same day the Council adopted a decision on the second-generation Schengen information system (SIS II) <sup>(2)</sup>. It spells out the objectives of SIS II, its technical architecture and financing, and lays down rules concerning its operation and further rules for the data to be entered into the system.

### ***Enlargement of the Schengen area***

On 8 November the Council concluded that the necessary conditions for the application of the Schengen *acquis* had been met in all areas (air, land and sea borders, police cooperation, the Schengen information system, data protection and visa issuance) in nine Member States: the Czech Republic, Estonia, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia.

On 6 December the Council decided, after consulting the European Parliament, to lift checks at internal land and sea borders with these nine Member States and between them and the Member States already fully implementing the Schengen *acquis* on 21 December 2007 and at air borders on 30 March 2008 <sup>(3)</sup>.

### ***General references and other useful links***

- European area of freedom, security and justice:  
[http://ec.europa.eu/justice\\_home/index\\_en.htm](http://ec.europa.eu/justice_home/index_en.htm)
- Eurojust:  
<http://eurojust.europa.eu/>
- Europol:  
<http://www.europol.europa.eu/>
- European Police College:  
<http://www.cepol.europa.eu/>

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<sup>(1)</sup> Decision 2007/471/EC (OJ L 179, 7.7.2007).

<sup>(2)</sup> Decision 2007/533/JHA (OJ L 205, 7.8.2007).

<sup>(3)</sup> Decision 2007/801/EC (OJ L 323, 8.12.2007).

*Section 2*

## Risk management

### Public health

#### **General**

On 20 March the Commission adopted a report on the operation of the early warning and response systems (EWRS) of the Community network for the epidemiological surveillance and control of communicable diseases during 2004 and 2005 <sup>(1)</sup>. Analysis of the EWRS operations demonstrates that the system is used more and more frequently by Member States and is currently considered an appropriate tool for rapidly communicating information to coordinate measures and for risk management at Community level.

On 23 October the Commission adopted a White Paper 'Together for health: a strategic approach for the EU 2008–13' <sup>(2)</sup>. The strategic objectives are to foster good health in an ageing Europe, protect citizens from health threats, and support dynamic health systems and new technologies.

On the same date the European Parliament and the Council signed a decision establishing a second programme of Community action in the field of health (2008–13) <sup>(3)</sup>.

The Council adopted conclusions on the European Union's health strategy at its meeting on 6 December.

#### **Health determinants**

On 18 April the Commission adopted a report on the implementation of the Council recommendation of 18 June 2003 on the prevention and reduction of health-related harm associated with drug dependence <sup>(4)</sup>. This report states that the prevention and reduction of drug-related harm is a clearly defined public health objective at national level, and that all Member States have established harm reduction services and facilities, albeit to different degrees. It also stresses that not all Member States see quality assurance, monitoring and evaluation as the task of national governments but that they subscribe in general to the need for greater emphasis on and use of scientific evidence in harm reduction practice.

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<sup>(1)</sup> COM(2007) 121.

<sup>(2)</sup> COM(2007) 630.

<sup>(3)</sup> Decision 1350/2007/EC (OJ L 301, 20.11.2007).

<sup>(4)</sup> COM(2007) 199.

On 1 February the European Parliament adopted a resolution 'Promoting healthy diets and physical activity: a European dimension for the prevention of overweight, obesity and chronic diseases' <sup>(1)</sup>. Parliament considers the problem of obesity to be a political priority for the European Union and its Member States and called on the Commission to develop mechanisms to promote best practice in schools in order to educate children about healthy eating habits. Finally, it considered the possibility of incorporating nutrition and physical activity into other Community policies.

On 30 May the Commission adopted a White Paper on a strategy for Europe on nutrition, overweight and obesity-related health issues <sup>(2)</sup>. This White Paper focuses on actions that can be taken at EU level to improve nutrition and health-related issues, while also proposing specific actions to be implemented in all sectors by the Member States within their respective competencies. In 2010 the Commission will review the progress made.

The EU platform on diet, physical activity and health, established in March 2005, continued to produce results in 2007. In addition, at the end of August the Commission and the Union of European Football Associations together launched a TV advertising campaign to encourage European citizens to make physical activity part of their daily lives. A further awareness-raising exercise was the European Day of Healthy Food and Cooking held on 8 November, as part of a campaign to tackle childhood obesity.

Moreover, the European Alcohol and Health Forum was set up in June to take concrete action at all levels — from European to local — to reduce alcohol-related harm. The Forum comprises two task forces: a science group to provide scientific guidance to the members of the Forum and a second group whose task is to identify best practice and propose measures to the members.

### ***Tobacco control***

On 30 January the Commission adopted a Green Paper 'Towards a Europe free from tobacco smoke: policy options at EU level' <sup>(3)</sup>. This document reviews the health and economic burdens associated with passive smoking, public support for smoking bans and measures taken at national and EU levels. It seeks the views of interested parties on the scope of measures to tackle passive smoking.

Following the dismissal by the European Court of Justice of Germany's action against the tobacco advertising directive, all Member States have now transposed the directive into their national law. In addition, in the field of tobacco control, a compulsory text for health warnings and the possibility of using pictograms are now in place.

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<sup>(1)</sup> OJ C 250 E, 25.10.2007.

<sup>(2)</sup> COM(2007) 279 (OJ C 191, 17.8.2007).

<sup>(3)</sup> COM(2007) 27 (OJ C 181, 3.8.2007).

### ***Ambient air quality***

On 4 July the Commission adopted a communication <sup>(1)</sup> supporting the Council common position <sup>(2)</sup> on the adoption of the directive on ambient air quality and cleaner air for Europe.

### ***Organ donation and transplantation***

On 30 May the Commission adopted a communication 'Organ donation and transplantation: policy actions at EU level' <sup>(3)</sup>. It identifies three policy challenges: ensuring the quality and safety of organs, increasing organ availability and fighting organ trafficking. The Commission proposes an action plan for closer cooperation between Member States on this matter, and a directive based on Article 152 of the EC Treaty, which will include the fundamental principles of the quality and safety of human organs.

## **Consumer protection**

On 8 February the Commission adopted a Green Paper on the review of the consumer *acquis* <sup>(4)</sup>. This launched a new drive to overhaul these rules in order to increase consumer confidence by providing a homogeneous regulatory framework and to adapt these rules to the challenges of a fast-changing digital world. To this end, on 24 April the Commission adopted a communication <sup>(5)</sup> on the implementation of Directive 1999/44/EC on certain aspects of the sale of consumer goods and associated guarantees.

On 13 March the Commission adopted a communication 'EU consumer policy strategy 2007–13 — Empowering consumers, enhancing their welfare, effectively protecting them' <sup>(6)</sup>, identifying three main objectives for this period: to empower EU consumers, enhance their welfare and protect them effectively from the risks and threats that they cannot tackle as individuals. The Commission's aim is to achieve in this way a more integrated and more effective internal market by 2013, in particular the retail dimension.

On 7 June the Commission adopted a proposal for a directive on the protection of consumers in respect of certain aspects of timeshare, long-term holiday products, resale and exchange <sup>(7)</sup>. The new proposal is intended to bridge the gaps in the existing rules. It aims in particular to extend the scope to apply also to new products

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<sup>(1)</sup> COM(2007) 320 (OJ C 191, 17.8.2007).

<sup>(2)</sup> OJ C 263 E, 6.11.2007.

<sup>(3)</sup> COM(2007) 275 (OJ C 191, 17.8.2007).

<sup>(4)</sup> COM(2006) 744 (OJ C 61, 15.3.2007).

<sup>(5)</sup> COM(2007) 210 (OJ C 181, 3.8.2007).

<sup>(6)</sup> COM(2007) 99 (OJ C 181, 3.8.2007).

<sup>(7)</sup> COM(2007) 303 (OJ C 191, 17.8.2007).

which have come onto the market and to extend the protection to important areas such as the resale of timeshares and clubs offering holiday exchanges.

On 25 July the Commission adopted its second progress report on the common frame of reference (CFR) in EU contract law <sup>(1)</sup>. In this report the Commission takes stock of the project, which is intended to provide the Commission and the European legislator with a 'toolbox' or handbook to be used when revising existing legislation and preparing new legislation in the area of contract law. It also sets out its approach to future work on the CFR.

## **Food safety, plant health, animal health and animal welfare**

### ***Food safety***

On 17 April the Commission adopted a proposal for a regulation laying down Community procedures for the establishment of residue limits of pharmacologically active substances in foodstuffs of animal origin, and repealing Regulation (EEC) No 2377/90 <sup>(2)</sup>. The objective is to continue to limit consumer exposure to pharmacologically active substances intended for use in veterinary medicinal products for food-producing animals and residues thereof in foodstuffs of animal origin.

### ***Food additives***

On 18 July the Commission adopted a report on the progress of the re-evaluation of food additives <sup>(3)</sup>. This provides a summary of the recent additive re-evaluations undertaken by the Scientific Committee on Food and the European Food Safety Authority and describes the related actions taken by the European Commission on the basis of these scientific opinions.

### ***Plant health***

On 29 January the Commission adopted a proposal for a directive on the marketing of fruit plant propagating material and fruit plants intended for fruit production (recast version) <sup>(4)</sup>. Community legislation on this subject was adopted in 1992 to establish harmonised conditions with a view to ensuring that purchasers receive materials and plants which are healthy and of good quality. Since its adoption, this legislation has proven to be a simple but effective tool in the harmonisation of the internal market.

On 26 November the Commission adopted a proposal for a Council decision amending Decision 2003/17/EC on the equivalence of field inspections carried out in third countries on seed-producing crops and on the equivalence of seed produced in

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<sup>(1)</sup> COM(2007) 447 (OJ C 191, 17.8.2007).

<sup>(2)</sup> COM(2007) 194 (OJ C 181, 3.8.2007).

<sup>(3)</sup> COM(2007) 418 (OJ C 191, 17.8.2007).

<sup>(4)</sup> COM(2007) 31.

third countries <sup>(1)</sup>. This renews the equivalence until 31 December 2012 for all third countries referred to in Decision 2003/17/EC.

### ***Animal health and welfare***

On 19 September the Commission adopted a communication on a new animal health strategy for the European Union (2007–13) highlighting that ‘prevention is better than cure’ <sup>(2)</sup>. The evaluation of the Community’s animal health policy confirms the steady progress made over the years and sets out important recommendations for the future.

Moreover, in the area of animal welfare, on 28 June the Council adopted a directive laying down minimum rules for the protection of chickens kept for meat production <sup>(3)</sup>. On 11 June the Council adopted a regulation in order to protect the aquatic medium from the risks related to the use of alien and locally absent species in aquaculture and thus contribute to the sustainable development of the sector in Europe <sup>(4)</sup>.

## **Transport safety and security**

### ***Maritime safety and security***

By Regulation (EC) No 457/2007 <sup>(5)</sup> of 25 April, the European Parliament and the Council amended Regulation (EC) No 417/2002 on the accelerated phasing-in of double-hull or equivalent design requirements for single-hull tankers. This new regulation lays down that no oil tanker carrying heavy grades of oil, irrespective of its flag, is allowed to enter or leave ports or offshore terminals or to anchor in areas under the jurisdiction of a Member State, unless it is a double-hull oil tanker.

On 22 October the Commission adopted an amended proposal for a regulation on the liability of carriers of passengers by sea and inland waterway in the event of accidents <sup>(6)</sup>. The proposal’s objective is to give all carriers and passengers travelling by ship, whatever their journey, a harmonised legal framework setting out their rights and obligations.

On 24 October it also adopted an amended proposal for a directive on the civil liability and financial guarantees of shipowners <sup>(7)</sup>. The proposal defines the basis for rules that aim both to prevent accidents and to compensate for damage.

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<sup>(1)</sup> Decision 2007/780/EC (OJ L 314, 1.12.2007).

<sup>(2)</sup> COM(2007) 539 (OJ C 4, 9.1.2008).

<sup>(3)</sup> Directive 2007/43/EC (OJ L 182, 12.7.2007).

<sup>(4)</sup> Regulation (EC) No 708/2007 (OJ L 168, 28.6.2007).

<sup>(5)</sup> OJ L 113, 30.4.2007.

<sup>(6)</sup> COM(2007) 645.

<sup>(7)</sup> COM(2007) 674.

### ***Aviation safety and security***

On 24 January the Commission adopted a communication 'An action plan for airport capacity, efficiency and safety in Europe' <sup>(1)</sup>, in which it sets out a comprehensive action plan detailing a coherent strategy for tackling congestion at European airports. It proposes five principal measures: optimising the use of existing capacity, providing a coherent approach to air safety operations at aerodromes, promoting 'co-modality' (the integration and collaboration of transport modes), improving the environmental capacity of airports and the planning framework of new airport infrastructure, and, finally, developing and implementing cost-efficient technological solutions.

On 14 June the Commission adopted a proposal for decisions concerning the signature of an agreement with the United States of America on cooperation in the regulation of civil aviation safety in order to facilitate trade in goods and services in the aviation sector and to limit as much as possible the duplication of assessments, tests and controls <sup>(2)</sup>. The Council adopted the proposal on 26 November.

### **Energy security and installation safety**

In its communication of 10 January on the nuclear illustrative programme <sup>(3)</sup> the Commission proposes the establishment of a high-level group of national nuclear regulators in order to further develop a common understanding and European rules in the field of nuclear safety and security <sup>(4)</sup>.

On the same date the Commission adopted a communication 'Towards a European strategic energy technology plan' <sup>(5)</sup>. This highlights the key role of energy technologies in addressing the challenges of energy policy, namely security of supply, climate change and competitiveness. The Commission announces that it will itself propose a European strategic energy technology plan, to be approved by the spring 2008 European Council.

On 19 February the Council adopted Regulation (Euratom) No 300/2007 <sup>(6)</sup> establishing an Instrument for Nuclear Safety Cooperation, to promote a high level of nuclear safety, radiation protection and the application of efficient safeguards.

On 27 February the Commission adopted a working paper which provides a revised framework for and outlines the principles of implementing nuclear safeguards in the European Union. This has been the subject of detailed consultation and consensus by Member States' experts. It was finalised in 2007 and will become the cornerstone for

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<sup>(1)</sup> COM(2006) 819 (OJ C 138, 22.6.2007).

<sup>(2)</sup> COM(2007) 325 (OJ C 191, 17.8.2007).

<sup>(3)</sup> COM(2006) 844 (OJ C 138, 22.6.2007).

<sup>(4)</sup> See 'Energy' in Chapter II, Section 2, of this Report.

<sup>(5)</sup> COM(2006) 847 (OJ C 138, 22.6.2007).

<sup>(6)</sup> OJ L 81, 22.3.2007.

further developments in the area of safeguards. On 28 February the Council took note of the Commission paper and of the broad consensus reached, marking the start of a new era for nuclear safeguards in the Community.

On 10 July the Council adopted a decision approving the accession of the European Atomic Energy Community to the Convention on the Physical Protection of Nuclear Material and Nuclear Facilities <sup>(1)</sup>. The Commission decision concerning the accession was adopted on 19 December.

On 17 July the Commission adopted a decision establishing the European high-level group on nuclear safety and waste management <sup>(2)</sup>. This high-level group will advise and assist the Commission in progressively developing a common understanding and eventually additional European rules on the safety of nuclear installations and the safe management of spent fuel and radioactive waste.

Also, in line with the EU commitment to provide adequate financial assistance to Slovakia for the closure of its first-generation Soviet-design reactors, on 14 May the Council adopted a regulation setting out financial support for the period 2007–13 <sup>(3)</sup>.

On 12 December the Commission adopted the second report on the use of financial resources earmarked for the decommissioning of nuclear installations, spent fuel and radioactive waste <sup>(4)</sup>. This report covers all nuclear installations and relates to the use of funds for decommissioning and waste management.

## **Civil protection and European Union Solidarity Fund**

### ***Civil protection***

On 5 March the Council established a Civil Protection Financial Instrument <sup>(5)</sup>. It will form the financial basis for preparedness and response measures covered by the European Union civil protection mechanism <sup>(6)</sup>, and also the legal and financial basis for stepping up the implementation of actions covered up to now by the 2000–06 civil protection action programme <sup>(7)</sup>. It will also cover new areas by contributing to the development of detection and early warning systems and to the establishment of such systems through studies on the need for and feasibility of those systems and actions to promote their interlinkage and their linkage to the mechanism. The budget allocated to this instrument, under the financial framework for 2007–13, is EUR 189.8 million.

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<sup>(1)</sup> Decision 2007/513/Euratom (OJ L 190, 21.7.2007).

<sup>(2)</sup> Decision 2007/530/EC, Euratom (OJ L 195, 27.7.2007).

<sup>(3)</sup> Regulation (Euratom) No 549/2007 (OJ L 131, 23.5.2007).

<sup>(4)</sup> COM(2007) 794.

<sup>(5)</sup> Decision 2007/162/EC, Euratom (OJ L 71, 10.3.2007).

<sup>(6)</sup> Decision 2001/792/EC, Euratom (OJ L 297, 15.11.2001) and COM(2005) 137 (OJ C 236, 24.9.2005).

<sup>(7)</sup> Decision 2005/12/EC (OJ L 6, 8.1.2005).

### ***European Union Solidarity Fund***

On 7 June the European Parliament and the Council adopted a decision on the mobilisation of the EU Solidarity Fund <sup>(1)</sup>. Having considered the severe flooding in Greece and in Hungary in 2006, the European Union Solidarity Fund was mobilised to provide the sum of EUR 24 370 114 in commitment and payment appropriations. On 24 October the European Parliament and the Council adopted a second decision on the mobilisation of the EU Solidarity Fund <sup>(2)</sup>. This decision concerned the catastrophic effects of the major storm 'Kyrill' which hit Germany in January and the tropical cyclone 'Gamède' on the French island of Réunion in February. For these two cases the Solidarity Fund was used to provide the sum of EUR 172.2 million. On 10 December the Commission proposed granting aid worth EUR 162 million from the European Union Solidarity Fund to UK regions struck by floods <sup>(3)</sup>.

On 25 October the Commission adopted the 'European Union Solidarity Fund: annual report 2006' <sup>(4)</sup>, which presents the activities of the Fund in 2006 and covers the treatment of new applications received in the course of 2006, monitoring of the ongoing implementation of grants, and the assessment of implementation reports with a view to preparing these for closure.

### **Protection of the financial interests of the European Union**

On 23 July the European Parliament and the Council adopted the Hercule II programme <sup>(5)</sup>, amending and extending Decision No 804/2004/EC establishing a Community action programme to promote activities in the field of the protection of the Community's financial interests <sup>(6)</sup>. This basic act now covers contracts, in addition to grants, and includes the objectives of tackling cigarette smuggling and counterfeiting. The broadening of the programme's objectives to include cigarette smuggling and counterfeiting shows that efforts in this area have been stepped up by means of closer cooperation between national and Community authorities. The Hercule II programme covers the period 2007–13 and has a total budget of EUR 98.5 million. This programme, which is intended to bring together all operational expenditure relating to the Commission's general anti-fraud activities, provides funding for several activities, such as technical assistance for national authorities, the organisation of training, conferences and seminars, and carrying out comparative law studies. The programme is intended for national authorities of the Member States, research institutes and non-profit-making bodies established in a Member State, or in candidate or acceding countries. In addition, expenditure in connection with

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<sup>(1)</sup> Decision 930/2007/EC (OJ L 202, 3.8.2007).

<sup>(2)</sup> Decision 1530/2007/EC (OJ L 337, 21.12.2007).

<sup>(3)</sup> IP/07/1885.

<sup>(4)</sup> COM(2007) 632 (OJ C 9, 15.1.2008).

<sup>(5)</sup> Decision No 878/2007/EC (OJ L 193, 25.7.2007).

<sup>(6)</sup> OJ L 143, 30.4.2004.

the participation of representatives of certain third countries is eligible under this programme.

On 17 December the Commission adopted a communication<sup>(1)</sup> on a dynamic approach to fraud-proofing, aimed at developing a new prevention mechanism.

**General references and other useful links**

- Directorate-General for Health and Consumer Protection:  
[http://ec.europa.eu/dgs/health\\_consumer/index\\_en.htm](http://ec.europa.eu/dgs/health_consumer/index_en.htm)
- Consumers:  
[http://ec.europa.eu/consumers/index\\_en.htm](http://ec.europa.eu/consumers/index_en.htm)
- Food safety:  
[http://ec.europa.eu/food/food/index\\_en.htm](http://ec.europa.eu/food/food/index_en.htm)
- Public health:  
[http://ec.europa.eu/health/index\\_en.htm](http://ec.europa.eu/health/index_en.htm)
- Transport:  
[http://ec.europa.eu/transport/index\\_en.html](http://ec.europa.eu/transport/index_en.html)
- European Maritime Safety Agency:  
<http://emsa.europa.eu/>
- Energy:  
[http://ec.europa.eu/energy/index\\_en.html](http://ec.europa.eu/energy/index_en.html)
- International Atomic Energy Agency:  
<http://www.iaea.org/>
- European Anti-Fraud Office:  
[http://ec.europa.eu/anti\\_fraud/index\\_en.html](http://ec.europa.eu/anti_fraud/index_en.html)

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<sup>(1)</sup> COM(2007) 806.

## Chapter V

# Europe as a global partner

### **Background**

#### ***Strengthening the Union's role as a global player***

*After the informal meeting of Heads of State or Government at Hampton Court in October 2005, it was agreed that the European Union needed to take steps to reinforce its external action and the link between internal and external policies, despite the setback to the Treaty establishing a Constitution for Europe. Hence the Commission adopted a communication in 2006 presenting a series of practical proposals intended to bring greater coherence, effectiveness and visibility to Europe in the world, but without entailing any amendments to the Treaty. The objective is to strengthen the Union's role as a global player through better strategic planning by holding informal meetings at each change of Presidency of the European Council and through improved cooperation between the Commission and the Council Secretariat, enhanced relations with the Member States through a staff exchange programme involving their diplomatic services and the Council Secretariat, and improved accountability concerning external action, public information and global visibility.*

## Section 1

# Proximity ties

## **The enlargement process and the pre-accession strategy**

### **General approach**

With the entry into force of the Treaty of Accession of Bulgaria and Romania, these two countries became Member States of the European Union on 1 January.

On 6 November the Commission adopted a communication 'Enlargement strategy and main challenges 2007–08' <sup>(1)</sup>. It refers to the current enlargement agenda, which covers the countries of the western Balkans and Turkey. It follows up on the renewed consensus on enlargement agreed by the December 2006 European Council, which is based on the principle of consolidation of commitments, equitable and rigorous conditionality and better communication with the public, combined with the European Union's capacity to integrate new members. The communication identifies the measures taken to improve the quality of the enlargement process by tackling difficult reforms at an early stage, making full use of benchmarks, contributing to greater transparency in negotiations and preparing the first impact studies in key policy areas. It also presents an approach for addressing major challenges in the candidate countries, such as State building, the rule of law, reconciliation, administrative and judicial reforms, and the fight against organised crime and corruption. The communication proposes measures to help these countries on their way to accession, such as a facility to promote civil society development and dialogue and closer donor coordination, and measures to foster public support for further enlargements.

To establish updated reform priorities, together with the communication the Commission presented proposals for Council decisions revising the accession partnerships with Turkey <sup>(2)</sup>, Croatia <sup>(3)</sup> and the former Yugoslav Republic of Macedonia <sup>(4)</sup>, and the European partnerships with Albania <sup>(5)</sup>, Bosnia and Herzegovina <sup>(6)</sup> and Serbia <sup>(7)</sup> <sup>(8)</sup>. The Council had already adopted the European partnership with Montenegro on 22 January <sup>(9)</sup> (see below). The partnerships list the priorities for the countries concerned in their preparation for future integration in the European Union. The priorities provide the basis for programming Community financial assistance, which will continue under the relevant financial instruments, including the Instrument for Pre-accession Assistance.

In 2007, visa facilitation agreements and readmission agreements <sup>(10)</sup> were signed between the European Union and the countries of the western Balkans (a readmission agreement is already in force with Albania). The agreements will enter into force on 1 January 2008. They will significantly improve the conditions for obtaining European Union entry visas and are an important step towards full liberalisation of visa arrangements.

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<sup>(1)</sup> COM(2007) 663.

<sup>(2)</sup> COM(2007) 661.

<sup>(3)</sup> COM(2007) 658.

<sup>(4)</sup> COM(2007) 659 and COM(2007) 662.

<sup>(5)</sup> COM(2007) 656.

<sup>(6)</sup> COM(2007) 657.

<sup>(7)</sup> Including Kosovo, under the auspices of the United Nations, pursuant to UN Security Council Resolution 1244 of 10 June 1999.

<sup>(8)</sup> COM(2007) 660.

<sup>(9)</sup> Decision 2007/49/EC (OJ L 20, 27.1.2007).

<sup>(10)</sup> See 'Border management and immigration' in Chapter IV, Section 1, of this Report.

## **Financial assistance**

The new Instrument for Pre-Accession Assistance (IPA) <sup>(1)</sup>, which entered into force on 1 January, brings together all pre-accession assistance under a single instrument and replaces the pre-accession financial instruments Phare, Ispa and Sapard, the pre-accession instrument for Turkey and the financial instrument for the western Balkans, CARDS. The IPA covers the candidate countries and potential candidates and will supply a total of EUR 11 468 million in assistance over the period 2007–13.

On 6 November the multiannual indicative financial framework (MIFF) for the IPA for 2009–11 was adopted <sup>(2)</sup>. It provides information on the indicative breakdown of the total amount allocated to the instrument, as proposed by the Commission and provided for in the IPA regulation. It acts as the link between the political framework defined in the enlargement package and the budgetary process and indicates the allocation of the funds for pre-accession assistance by country and by component for these years. It also gives an indication of the funds allocated to regional and horizontal programmes and to support expenditure. Table 1 shows the breakdown of IAP funding for 2007 <sup>(3)</sup> allocated by country and by component.

The Commission adopted the first multiannual indicative planning documents (MIPDs) for all the accession candidates in the first half of 2007. These strategic planning documents, which are drafted for each country and for multi-beneficiary programmes, take account of the indicative breakdown proposed in the MIFF. Pre-accession assistance is provided on the basis of these documents. In the second half of 2007 the Commission adopted all the annual and multiannual programmes, in which the broad areas of intervention and priorities identified in the MIPDs are broken down into concrete measures and projects to be financed.

In 2007 Turkey, Croatia and the former Yugoslav Republic of Macedonia became beneficiaries of the regional development and human resources development components of the IPA. The regional development component supports the preparation and implementation of Community cohesion policy, in particular for the European Regional Development Fund and Cohesion Fund, while the human resources development component is for preparation for cohesion policy and for the European Social Fund. Operational programmes to help candidate countries in these key areas are planned for a total of EUR 920 million for the period 2007–09. These countries will also receive support under the IPA's rural development component, which supports preparation for the common agricultural policy and related policies and for the European Agricultural Fund for Rural Development (EAFRD). The amount allocated to this component for the period 2007–09 is EUR 255 million.

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<sup>(1)</sup> Regulation (EC) No 1085/2006 (OJ L 210, 31.7.2006).

<sup>(2)</sup> COM(2007) 689.

<sup>(3)</sup> COM(2006) 672.

On 27 February, following the Court of Auditors report on the discharge to be given to the Commission in respect of the implementation of the budget for the financial year 2005, the Council commended the sound management of the pre-accession funds.

On 6 November the Commission adopted the '2006 report on Phare, pre-accession and transition instruments' <sup>(1)</sup>, which evaluates progress on the Phare programme for the 10 new Member States and Bulgaria, Romania and Croatia. The report also monitors the level of implementation of the transition facility programme for the new Member States as well as the pre-accession instruments for Cyprus, Malta and Turkey.

On 7 November the Commission adopted the annual report of the Instrument for Structural Policy for Pre-Accession (ISPA) 2006 <sup>(2)</sup>. The report analyses progress with implementation of the ISPA in the beneficiary countries (Bulgaria, Croatia and Romania). Following the accession of Bulgaria and Romania to the European Union in January, Croatia became the only beneficiary of the ISPA.

On 9 November the Commission adopted the general report on pre-accession assistance (Phare — ISPA — Sapard) in 2006 <sup>(3)</sup>, covering activities financed by the three pre-accession instruments in 2006.

## **Candidate countries**

### ***Turkey***

Accession negotiations with Turkey continued. The Commission submitted 27 out of a total of 33 screening reports to the Council. So far, negotiations have been opened on four chapters of the Community *acquis* (science and research, industrial policy, statistics and financial control) and provisionally closed on one (science and research).

The enhanced political dialogue between the European Union and Turkey continued. Political dialogue meetings were held in June and November at ministerial level and in March and September at political director level. The Association Committee met in March. Bilateral trade between the European Union and Turkey further increased under the EC–Turkey customs union, making Turkey the Union's seventh biggest trading partner.

According to the progress report of 6 November <sup>(4)</sup>, Turkey continued to meet the Copenhagen political criteria adequately. As regards the economic criteria, Turkey could be regarded as a functioning market economy. Turkey had improved its ability to take on the obligations of membership, with progress made in most areas, although alignment needed to be pursued.

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<sup>(1)</sup> COM(2007) 679.

<sup>(2)</sup> COM(2007) 685.

<sup>(3)</sup> COM(2007) 692.

<sup>(4)</sup> COM(2007) 663 and SEC(2007) 1436.

**Table 1**
**Breakdown of the Instrument for Pre-Accession Assistance envelope for 2007  
into allocations by country and component**

(EUR)

<b>Country</b>	<b>Component</b>	<b>2007</b>
Croatia	Transition assistance and institution building	49 611 775
	Cross-border cooperation	9 688 225
	Regional development	45 050 000
	Human resources development	11 377 000
	Rural development	25 500 000
	<b>Total</b>	<b>141 227 000</b>
Former Yugoslav Republic of Macedonia	Transition assistance and institution building	41 641 613
	Cross-border cooperation	4 158 387
	Regional development	7 400 000
	Human resources development	3 200 000
	Rural development	2 100 000
	<b>Total</b>	<b>58 500 000</b>
Turkey	Transition assistance and institution building	256 702 720
	Cross-border cooperation	2 097 280
	Regional development	167 500 000
	Human resources development	50 200 000
	Rural development	20 700 000
	<b>Total</b>	<b>497 200 000</b>
Albania	Transition assistance and institution building	54 318 790
	Cross-border cooperation	6 681 210
	<b>Total</b>	<b>61 000 000</b>
Bosnia and Herzegovina	Transition assistance and institution building	58 136 394
	Cross-border cooperation	3 963 606
	<b>Total</b>	<b>62 100 000</b>
Montenegro	Transition assistance and institution building	27 490 504
	Cross-border cooperation	3 909 496
	<b>Total</b>	<b>31 400 000</b>
Serbia	Transition assistance and institution building	181 496 352
	Cross-border cooperation	8 203 648
	<b>Total</b>	<b>189 700 000</b>
Kosovo <sup>(1)</sup>	Transition assistance and institution building	68 300 000
	Cross-border cooperation	0
	<b>Total</b>	<b>68 300 000</b>
<b>Total country programmes</b>		<b>1 109 427 000</b>
<b>Regional and horizontal programmes</b>		<b>108 980 000</b>
<b>Administrative costs</b>		<b>44 793 000</b>
<b>Grand total</b>		<b>1 263 200 000</b>

<sup>(1)</sup> As defined by UN Security Council Resolution 1244.

## **Croatia**

Accession negotiations with Croatia continued. Following the conclusion of the screening process, all 33 screening reports were submitted to the Council by the Commission. So far, negotiations have been opened on 14 *acquis* chapters (science and research, education and culture, economic and monetary policy, industrial policy, customs, intellectual property rights, services, company law, statistics, financial services, financial control, information society and media, consumer and health protection, and external relations) and provisionally closed on two (science and research, education and culture).

Political dialogue meetings were held in Brussels in April at ministerial level and in June at senior official level. The Stabilisation and Association Council met in April.

On 25 April the European Parliament adopted a resolution on the Commission's 2006 progress report. On the basis of the Commission's progress report, on 10 December the Council commended Croatia for the overall progress it had continued to make throughout the year, which allowed the country to enter an increasingly important and demanding stage of the process. While noting that negotiations were on the right track, the Council said that further sustained efforts were required in a number of areas. Croatia needed to build on its achievements and to make further progress, particularly with judicial and administrative reforms, the fight against corruption, economic reforms, minority rights, the return of refugees and the conduct of war crimes trials. Continued efforts towards good neighbourly relations were also needed, including work to find satisfactory solutions to pending bilateral issues with neighbouring countries, especially border issues.

## **Former Yugoslav Republic of Macedonia**

The Stabilisation and Association Committee met in June and the Stabilisation and Association Council in July.

On 12 July the European Parliament adopted a resolution on the Commission's 2006 progress report. It welcomed the progress made, but pointed out that the reform momentum must be maintained and that the legislation adopted should be properly and promptly implemented, especially in the fields of the police, the judiciary, public administration and the fight against corruption.

In its progress report of 6 November <sup>(1)</sup> the Commission welcomed some of the results achieved, notably in the fight against corruption and some economic reforms. It also expressed its concern that the continuing political tensions in the country were still delaying the adoption of reforms.

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<sup>(1)</sup> COM(2007) 663 and SEC(2007) 1432.

## Potential candidate countries

### *Albania*

An interim agreement with Albania has been in force since December 2006. A ministerial troika meeting with Albania in June focused on key political priorities, including regional issues. On 6 December the Joint Committee held its annual meeting to oversee the proper functioning of the interim agreement under the stabilisation and association agreement.

On the basis of the Commission's progress report, on 10 December the Council noted that Albania had made progress in a number of areas and had met its trade commitments under the stabilisation and association agreement well. However, it noted that good governance and the rule of law, in particular the fight against corruption and organised crime, remained major challenges calling for sustained efforts.

### *Bosnia and Herzegovina*

In March and July the Council reviewed the mandate of the European Union Special Representative and extended it to February 2008. On 18 June the Council adopted a decision appointing Mr Miroslav Lajčák as the European Union's Special Representative in Bosnia and Herzegovina from 1 July 2007 to 29 February 2008 <sup>(1)</sup> (see also 'Common foreign and security policy' in Section 4 of this chapter).

In September a ministerial troika meeting was held with Bosnia and Herzegovina on the occasion of the UN Assembly General. In November the Council extended the mandate of the European Union police mission (EUPM) to the end of 2009. On the basis of the Commission's progress report of 6 November <sup>(2)</sup>, on 10 December the Council welcomed the latest positive developments, including renewed commitment to police reform. It reiterated its concern over the political situation in Bosnia and Herzegovina and the slowdown in the reform process over the last year.

### *Montenegro*

On 22 January the Council adopted a decision on the European partnership with Montenegro <sup>(3)</sup> after the country became independent in June 2006. The decision includes the components relating to Montenegro that were already contained in the European partnership with Serbia and Montenegro <sup>(4)</sup> and adds recommendations relating to Montenegro's new powers and the challenges it faces following its independence.

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<sup>(1)</sup> Decision 2007/427/CFSP (OJ L 159, 20.6.2007).

<sup>(2)</sup> COM(2007) 663 and SEC(2007) 1430.

<sup>(3)</sup> Decision 2007/49/EC (OJ L 20, 27.1.2007).

<sup>(4)</sup> Decision 2006/56/EC (OJ L 35, 7.2.2006).

A stabilisation and association agreement and an interim agreement on trade and trade-related matters with Montenegro were signed on 15 October <sup>(1)</sup>. The interim agreement was to enter into force on 1 January 2008. To enable Montenegro to participate in Community programmes, the Council adopted a decision provisionally applying Protocol No 8. The Commission delegation in Montenegro became operational on 1 November.

In its progress report of 6 November <sup>(2)</sup>, the Commission highlighted Montenegro's progress with institutional and judicial development, in particular the adoption of a constitution which was largely in line with European standards. It also encouraged Montenegro to continue with its reforms, particularly as regards combating organised crime and corruption, and increasing its administrative capacity.

### **Serbia** <sup>(3)</sup>

A political dialogue meeting at ministerial level was held with Serbia in March. In November the Commission adopted a proposal for a decision on the signing of a stabilisation and association agreement (SAA) <sup>(4)</sup>. Full cooperation with the International Criminal Tribunal for the former Yugoslavia is required before the SAA can be signed.

On the basis of the Commission's progress report of 6 November <sup>(5)</sup>, on 10 December the Council called for further reform efforts, in particular with the judiciary and the security sector, as well as the fight against corruption and structural economic reforms. In view of Serbia's institutional capacity, the Council was confident that the country would be capable of implementing a future stabilisation and association agreement and accelerating its preparations on the way towards the European Union.

In March the UN Special Envoy for the Kosovo status process, former Finnish President Martti Ahtisaari, submitted his comprehensive proposal for the Kosovo status settlement to the UN Secretary-General. Since no agreement regarding the future status of Kosovo could be reached at the United Nations Security Council, a series of meetings and direct talks between Priština and Belgrade started on 28 September, facilitated and mediated by a European Union–United States–Russia troika. The talks yielded no results and the troika contact group presented the factual report on the process to the UN Secretary-General on 7 December. Two meetings of the stabilisation and association process tracking mechanism with Kosovo, as defined by UN Security Council Resolution 1244 (1999), were held, in March and in November.

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<sup>(1)</sup> COM(2007) 350 (OJ C 191, 17.8.2007).

<sup>(2)</sup> COM(2007) 633 and SEC(2007) 1434.

<sup>(3)</sup> Including Kosovo, under the auspices of the United Nations, pursuant to UN Security Council Resolution 1244 of 10 June 1999.

<sup>(4)</sup> COM(2007) 743.

<sup>(5)</sup> COM(2007) 663 and SEC(2007) 1435.

On 10 December the Council noted the progress made by the provisional institutions of self-government in addressing certain priorities, but stressed the need for major efforts to strengthen the rule of law, anti-corruption policy and the fight against organised crime, as well as to enhance the dialogue between the communities. It recalled the crucial importance of further effective implementation of the Kosovo standards, including the protection of minorities and historical and religious sites, and stressed that resolving the status of Kosovo would facilitate progress with the reform agenda. The Council confirmed that the European Union would continue to assume its responsibilities in Kosovo.

### ***International Criminal Tribunal for the former Yugoslavia***

On 5 March the Council again renewed the measures in support of the effective implementation of the mandate of the International Criminal Tribunal for the former Yugoslavia (ICTY) <sup>(1)</sup>. The measures are designed to prevent the entry into the European Union of individuals engaging in activities that help persons at large indicted by the ICTY to continue to evade justice for crimes, or otherwise acting in a manner which could obstruct the ICTY's effective implementation of its mandate.

On 18 June <sup>(2)</sup> and 23 July <sup>(3)</sup> the Council adopted decisions implementing Common Position 2004/293/CFSP renewing measures in support of the effective implementation of the mandate of the ICTY. On 28 June <sup>(4)</sup> it adopted a decision implementing Common Position 2004/694/CFSP on further measures in support of the effective implementation of the mandate of the ICTY. All three decisions amended the list of persons subject to restrictive measures.

Further information on the ICTY may be found under 'Common foreign and security policy' in Section 4 of this chapter).

### **Turkish Cypriot community**

In its conclusions of 22 January on the development of the Turkish Cypriot community, the Council noted the progress made, in particular as regards the financial aid regulation, the objective of which is to facilitate the reunification of Cyprus. Work aiming at the adoption of a Council regulation on special conditions for trade with the areas of Cyprus in which the Cypriot government does not exercise effective control must be resumed without delay.

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<sup>(1)</sup> Common Position 2007/150/CFSP (OJ L 66, 6.3.2007).

<sup>(2)</sup> Decision 2007/423/CFSP (OJ L 157, 19.6.2007).

<sup>(3)</sup> Decision 2007/521/CFSP (OJ L 192, 24.7.2007).

<sup>(4)</sup> Decision 2007/449/CFSP (OJ L 169, 29.6.2007).

## European neighbourhood policy

### *General*

On 7 March the Commission adopted the 2007–13 strategy papers and 2007–10 indicative programmes for partner countries of the European Neighbourhood and Partnership Instrument (ENPI) <sup>(1)</sup> and Russia. Particular emphasis will be placed on the country programmes, which support implementation of the political, economic, social and governance reform programmes initiated by the partners. Some 73 % of the EUR 5.6 billion available for the period 2007–10 will be invested in supporting their implementation of the European neighbourhood policy (ENP). Russia's share of this amount will make it possible to co-finance implementation of the common space roadmaps. A total of EUR 865 million is available for regional cooperation activities and EUR 277 million (doubled by an equivalent amount from the European Regional Development Fund) for cross-border cooperation involving cooperation between local and regional authorities on either side of the European Union border. On the basis of the priorities defined in these documents, the Commission will identify measures to receive annual Community support.

On 11 April the Commission adopted the communication 'Black Sea synergy — A new regional cooperation initiative' <sup>(2)</sup>. When Bulgaria and Romania joined the European Union, the Black Sea became one of its external borders. Black Sea synergy is intended as a policy framework for a range of practical activities and will initially focus on areas of cooperation in which Union presence/support is already significant, such as energy, transport and the environment. It may also offer additional ways of addressing issues relating to 'frozen conflicts'. Support for civil society and the social dimension will also be a priority. As a general rule, co-financing will be applied. Where appropriate, Community financial support could be available under the European Neighbourhood and Partnership Instrument <sup>(3)</sup> and other instruments. This communication was welcomed by the Council in its conclusions of 14 May.

At its 21 and 22 June meeting, the European Council reaffirmed the paramount importance of the European neighbourhood policy (ENP), which aims at consolidating a ring of prosperity, stability and security based on human rights, democracy and the rule of law, and at supporting the process of reform and modernisation of partners in the Union's neighbourhood. It approved the Council's conclusions on reinforcing the ENP and the Presidency progress report, which includes a series of measures for further enhancing the policy.

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<sup>(1)</sup> Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Moldova, Morocco, Syria, Tunisia and Ukraine.

<sup>(2)</sup> COM(2007) 160 (OJ C 181, 3.8.2007).

<sup>(3)</sup> Regulation (EC) No 1638/2006 (OJ L 310, 9.11.2006).

On 3 September the Commission organised a conference under the title 'Working together — Strengthening the European neighbourhood policy'. For the first time, ministers from the ENP countries to the south and east and representatives of civil society met to exchange views. The results of the conference will provide the basis for further work.

On 5 December the Commission adopted a communication 'A strong European neighbourhood policy' <sup>(1)</sup>. The communication presents the measures that the Member States and the Commission should take, particularly in the fields of trade, mobility and the settlement of 'frozen conflicts' in countries that are neighbours to the European Union. Some measures are planned for 2008 to enhance the sectoral reforms launched in these countries.

### ***Southern Mediterranean***

In 2007 the European Union and its Mediterranean partners continued negotiations to enhance their trade relations with a view to creating a Euro-Mediterranean free-trade area to come into effect by 2010. Negotiations focused on the liberalisation of services and investment, agriculture and fisheries, and the harmonisation of technical legislation. There was also progress on regional integration among the southern Mediterranean countries, in particular through the entry into force of the Agadir agreement between Egypt, Jordan, Morocco and Tunisia.

On 15 March the European Parliament adopted a resolution on Euro-Mediterranean relations <sup>(2)</sup>. It considered it appropriate to strengthen the political dimension of neighbourhood towards the south in view of the increased complexity of relations with the Mediterranean region, in respect of which the Barcelona process represented a significant step forward. On the same day it adopted a resolution on the construction of a Euro-Mediterranean free-trade zone by 2010, in which it stressed the lack of effort made by the European partners, and criticised the inadequacy of the resources granted for financial and technical assistance for local economies, and expressed its desire to see a Euro-Mediterranean energy market created to help address current challenges.

On 17 October the Commission adopted a communication on the preparation of the Lisbon Euro-Mediterranean Foreign Affairs Conference, 'The Euro-Mediterranean partnership: advancing regional cooperation to support peace, progress and intercultural dialogue' <sup>(3)</sup>. The ministers concerned met in Lisbon on 5 and 6 November. They reviewed the progress made over the year in implementing the Tampere programme agreed in November 2006 in the framework of the five-year work programme adopted in Barcelona in 2005. They also set the priorities for 2008 by common agreement.

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<sup>(1)</sup> COM(2007) 774.

<sup>(2)</sup> OJ C 301 E, 13.12.2007.

<sup>(3)</sup> COM(2007) 598 (OJ C 9, 15.1.2008).

The European Union–Egypt Association Council met in Brussels on 6 March. It adopted the action plan for the European neighbourhood policy between the European Union and Egypt, which sets out agreed reform and cooperation priorities in a wide range of sectors. The first subcommittees to discuss implementation of the action plan's priorities were held in June.

On 26 September a troika meeting was held in New York between the European Union and the Palestinian Authority in the context of newly (since June) normalised relations between the two parties. At the meeting, the Commission confirmed the resumption of direct assistance to the Palestinian Authority, in particular in the areas of institutional support and reinforcing administrative capacity. The Commission also drew attention to the continuing emergency and humanitarian assistance to all the Palestinian Occupied Territories (the West Bank and the Gaza Strip). Total assistance from the European Union to the Palestinians in 2007 was in excess of EUR 800 million, of which EUR 427 million came from the European Union budget and the rest was provided under bilateral programmes with Member States.

The European Union–Israel Association Council met in Brussels on 5 March. The Union welcomed Israel's commitment to the neighbourhood policy and the establishment of a subcommittee on political dialogue. Israel and the European Union stressed the major progress made in implementing the action plan over the last two years and agreed, at the proposal of the Israeli government, to create a joint discussion group to study the further development of European Union-Israeli relations.

The European Union–Jordan Association Council met in Brussels on 14 November. It reviewed bilateral relations and approved the results of the fruitful dialogues held in the various subcommittees, including the subcommittee on human rights, and in the Association Committee. The Union stressed the importance of accelerating implementation of Jordan's national reform process to bring tangible advantages to Jordanian citizens.

The European Union–Morocco Association Council met in Brussels on 23 July. The Union congratulated Morocco on its commitment to establishing an increasingly close partnership with the Union and for its successful implementation of the association agreement and neighbourhood action plan. The two sides decided to set up a working party to study the partnership's new objectives and the next stages in the development of bilateral relations.

On 18 June the Council adopted a decision concerning the Community position within the Association Council on the implementation of Articles 76 and 98 of the Euro-Mediterranean agreement establishing an association between the European Community and its Member States, of the one part, and the People's Democratic Republic of Algeria, of the other part<sup>(1)</sup>. The decision establishes a working party

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<sup>(1)</sup> Decision 2007/835/EC (OJ L 330, 15.12.2007).

on social matters and six subcommittees to assist the Council and the Association Committee with implementation of the Euro-Mediterranean agreement, which provides for the establishment of a free-trade area between the European Union and Algeria in 2017.

On 19 January the European Union–Lebanon Association Council adopted a recommendation on the implementation of the action plan <sup>(1)</sup> under the European neighbourhood policy between the European Union and Lebanon. On 24 April the Association Council met in Luxembourg. On 24 May the Council adopted a decision on a Community position in the Association Council on the implementation of Article 75 of the Euro-Mediterranean agreement establishing an association between the European Community and its Member States, of the one part, and the Republic of Lebanon, of the other part <sup>(2)</sup>. On the same day it adopted a decision on implementation of Article 80 of the same agreement <sup>(3)</sup>. This decision provides for the setting-up of 10 subcommittees to assist the Council and the Association Council with implementation of the agreement.

On 10 December the Council adopted a decision <sup>(4)</sup> providing Community macro-financial assistance to Lebanon. The assistance will be exceptional and for a limited period, and will support Lebanon's fiscal consolidation effort aimed at reducing public debt to a sustainable level through implementation of its economic reform programme.

### ***Eastern Europe***

Implementation of the European neighbourhood policy action plans agreed with Moldova and Ukraine continued in 2007 and there was a general review of progress in April.

On 6 February a troika meeting was held in Kiev between the European Union and Ukraine. It launched negotiations on an improved cooperation agreement between the two parties. One of the pillars of the agreement is to be a full and ambitious free-trade area aimed at helping to maximise trade integration. Negotiations on this new enhanced agreement started on 5 March. In 2007 six rounds of negotiations took place, focusing on political aspects, justice and home affairs as well as sectoral cooperation, including in the areas of energy and transport. However, both parties agreed not to commence the negotiations on a free-trade area until Ukraine had completed the process of accession to the World Trade Organisation.

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<sup>(1)</sup> OJ C 89, 24.4.2007.

<sup>(2)</sup> COM(2007) 64.

<sup>(3)</sup> COM(2007) 84.

<sup>(4)</sup> Decision 2007/860/EC (OJ L 337, 21.12.2007).

The European Union–Ukraine Cooperation Council, held on 18 June in Luxembourg, welcomed the progress made in the negotiations on a new enhanced agreement. It established a framework for the signing of agreements on visa facilitation, readmission <sup>(1)</sup> and trade in steel <sup>(2)</sup>.

The summit between the European Union and Ukraine was held in Kiev on 14 September. The subjects discussed included Ukraine's continuing democratic consolidation, above all in terms of the country's Parliamentary elections in September and the great progress made in implementing the European Union–Ukraine action plan. The Union's leaders emphasised that Ukraine's success in stabilising its political system would be a major factor in determining its capacity to move forward with political and economic reforms. The leaders welcomed the progress report on the negotiations on the new enhanced agreement.

The European Union–Moldova Cooperation Council, held on 19 June in Luxembourg, reviewed implementation of the ENP action plan, including recent political and economic developments, as well as progress made towards peaceful settlement of the Transnistria conflict.

Progress was made in the transparent management of the Moldova–Ukraine State border. In common agreement, the Commission, Moldova and Ukraine extended the mandate for the European Union border assistance mission (EUBAM) to November 2009. In December a trilateral meeting was held with Moldova and Ukraine on border issues.

The Commission continued to support efforts to achieve a settlement in Transnistria through initiatives similar to those taken in 2006.

The Commission moved further towards the possible award of additional autonomous trade preferences to Moldova, and submitted a proposal for a Council regulation on 14 November <sup>(3)</sup>.

On 16 April the Council decided to provide Community macro-financial assistance of up to EUR 45 million to Moldova to support its balance of payments and alleviate financial constraints on implementation of the government's economic programme <sup>(4)</sup>. Following a severe drought in Moldova, especially in the southern regions, the Commission granted EUR 3 million in humanitarian aid for the country's most vulnerable rural communities as a short-term measure.

Progress was made with promoting and implementing the Commission document of 21 November 2006 <sup>(5)</sup> describing what the European Union could bring to Belarus

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<sup>(1)</sup> See 'Border management and immigration' in Chapter IV, Section 1, of this Report.

<sup>(2)</sup> See 'International trade' in Section 2 of this chapter.

<sup>(3)</sup> COM(2007) 705.

<sup>(4)</sup> Decision 2007/259/EC (OJ L 111, 28.4.2007).

<sup>(5)</sup> IP/06/1593.

should the latter commit itself to a process of democratisation, respect for human rights and the rule of law.

### **Caucasus**

Implementation of the European neighbourhood policy and its action plans in the three southern Caucasian countries (Armenia, Azerbaijan and Georgia) continued throughout the year. On 16 October the Association Councils with these three countries met in Luxembourg to review the state of bilateral relations and progress with implementing the action plans.

On 10 July the Council adopted a joint action regarding a further contribution of the European Union to the conflict settlement process in Georgia/South Ossetia <sup>(1)</sup>.

### **European Neighbourhood and Partnership Instrument**

On 1 January the MEDA and Tacis programmes were replaced by a single instrument: the European Neighbourhood and Partnership Instrument as part of the reform of Community assistance instruments. The ENPI covers non-member countries participating in the European neighbourhood policy and the countries of the southern Caucasus. This instrument also supports the Union's strategic partnership with Russia. It has been allocated EUR 11.2 billion for the period 2007–13.

Following the adoption by the Commission of the multiannual indicative programmes for all the countries except the Occupied Palestinian Territories, the annual action plans were adopted in 2007. A total of EUR 1.7 billion was allocated to projects and assistance programmes for the 17 countries on the European Union's eastern and southern borders.

Substantial additional budget funds (EUR 275 million) were made available in 2007 for the Occupied Palestinian Territories and support for the peace process. Most of the Community aid was channelled through the temporary international mechanism set up by the Member States and the Commission in 2006.

Bilateral programmes for the Mediterranean countries continued to support reforms, particularly through twinning programmes and budgetary and sectoral support programmes.

The bilateral programmes for Russia, eastern Europe and the southern Caucasus focused, among other things, on reform of the energy sector (Azerbaijan and Ukraine) and the reduction of poverty (Moldova). Priority was also given to combating unemployment in Armenia and to rehabilitation projects in the Georgian/Abkhazian conflict zone.

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<sup>(1)</sup> Joint Action 2007/484/CFSP (OJ L 181, 11.7.2007).

Twinning activities developed rapidly in all the ENP countries and have just started in Azerbaijan and Moldova. A total of 65 events were organised under the Technical Assistance and Information Exchange Instrument programme at the request of the ENP countries, with an average of 20 requests per month.

The Neighbourhood Investment Fund was established to enable joint European operations to be organised by the beginning of 2008 and to group funds from major donors more effectively in order to finance the most important operations and support the partners in carrying out necessary reforms and investments.

Programmes were also launched at regional level to address challenges of common interest such as energy, the environment, transport and investment promotion. Support for cross-border cooperation and the 'Partnership for Peace' in the Middle East programme continued. Other initiatives concerned gender equality and intercultural dialogue.

## **Relations with Russia**

On 19 March the Council adopted a joint action in support of chemical weapons destruction in the Russian Federation in the framework of the European Union strategy against the proliferation of weapons of mass destruction <sup>(1)</sup>. It provides for European Union assistance to Russia for the destruction of all its chemical weapon stocks according to the timetable provided for in the Convention on Chemical Weapons. The Union will help with completion of the necessary electricity supply infrastructure for the chemical weapon destruction facility at Shchuch'ye, and will contribute more than EUR 3 million to the current multi-donor project coordinated by the United Kingdom.

On 10 May the European Parliament adopted a resolution concerning the forthcoming European Union–Russia summit, affirming the need to establish strategic cooperation with Russia, which is an important partner with which the Union shares not only economic and trade interests but also the objective of close cooperation on the international stage and in the context of neighbourhood.

On 17 and 18 May the 19th European Union–Russia summit was held in Samara, Russia. Despite substantial differences of opinion, particularly on the subject of human rights, the Union stressed that it was firmly committed to a strategic partnership with Russia. Both parties expressed their interest in negotiating a successor to the partnership agreement and were firmly resolved to cooperate more closely in future on energy, climate protection, research and efforts to resolve international conflicts.

On 26 October the 20th European Union–Russia summit was held at Mafra in Portugal to discuss enhanced cooperation in the context of the four common spaces,

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<sup>(1)</sup> Joint Action 2007/178/CFSP (OJ L 81, 22.3.2007).

developments in the European Union and in Russia and international and regional issues, particularly Kosovo. Other subjects discussed at the summit were investment dialogue between the European Union and Russia, joint initiatives to deal with the problem of queues at many border crossings and the accession of Russia to the World Trade Organisation. On the subject of energy, the summit discussed the development of an early warning mechanism for potential supply difficulties and the regular report on energy dialogue between the Union and Russia. The European Union also stressed the importance of trade with Russia and the potential of its relations with Russia.

In 2007 European Union–Russia Permanent Partnership Councils were held on justice, home affairs, external relations and culture.

### **General references and other useful links**

- Directorate-General for Enlargement:  
[http://ec.europa.eu/enlargement/index\\_en.htm](http://ec.europa.eu/enlargement/index_en.htm)
- Directorate-General for External Relations:  
[http://ec.europa.eu/external\\_relations/index.htm](http://ec.europa.eu/external_relations/index.htm)
- International Criminal Tribunal for the former Yugoslavia:  
<http://www.un.org/icty/index.html>
- European neighbourhood policy:  
[http://ec.europa.eu/world/enp/index\\_en.htm](http://ec.europa.eu/world/enp/index_en.htm)
- Countries of the southern Mediterranean and of the Middle East:  
[http://ec.europa.eu/external\\_relations/med\\_mideast/intro/index.htm](http://ec.europa.eu/external_relations/med_mideast/intro/index.htm)
- Barcelona process:  
[http://ec.europa.eu/external\\_relations/euromed/bd.htm](http://ec.europa.eu/external_relations/euromed/bd.htm)
- EU–Russia relations:  
[http://ec.europa.eu/external\\_relations/russia/intro/index.htm](http://ec.europa.eu/external_relations/russia/intro/index.htm)
- EU–Ukraine relations:  
[http://ec.europa.eu/external\\_relations/ukraine/intro/index.htm](http://ec.europa.eu/external_relations/ukraine/intro/index.htm)

## *Section 2*

# **The European Union in the global economy**

## **International trade**

### **General**

In a resolution of 22 May on global Europe and the external aspects of competitiveness, the European Parliament expressed the view that the EU should continue to strive to complete the single market, promote increased global liberalisation and free and

fair trade and resist protectionism. It considered that the lifting or reduction of high tariffs and of non-tariff barriers to EU exports should, with due regard to development considerations, be one of the main priorities of EU trade policy.

On 31 May the European Economic and Social Committee issued an exploratory opinion 'The challenges and opportunities for the European Union in the context of globalisation' <sup>(1)</sup>, in which it presents a strategy under four headings:

- meeting the challenges posed by globalisation by adopting an approach which is also global;
- helping to draw up more effective global rules to promote the achievement of 'globalisation with a human face';
- developing a common strategy for the Union in respect of international trade;
- stepping up integration so that globalisation provides an opportunity for the people of Europe.

On 26 September it adopted an own-initiative opinion on 'Global trade integration and outsourcing: how to cope with the new challenges' <sup>(2)</sup>, in which it examined the extent to which the worldwide phenomenon of outsourcing of goods and services was being driven by developments in Asian countries and by the integration of the new EU Member States. It also looked at whether and to what extent the European Union was vulnerable following the emergence of new global trading powers and the changes to comparative advantage that went with it.

In its communication of 20 November <sup>(3)</sup> on a single market for 21st century Europe <sup>(4)</sup>, the Commission stressed that the single market is a powerful lever for bringing the benefits of globalisation to Europeans. The communication presents a three-pronged strategy:

- expanding the competitive space for European firms beyond the physical boundaries of the single market;
- expanding the regulatory space of the single market by promoting cooperation on Europe's norms and values abroad;
- ensuring that the benefits of openness reach European citizens.

On 30 October the Commission adopted a proposal for a regulation on a revised system of Community statistics relating to external trade with non-member countries (Extrastat) <sup>(5)</sup>. One of the objectives of this initiative is to respond to new user needs

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<sup>(1)</sup> OJ C 175, 27.7.2007.

<sup>(2)</sup> OJ C 10, 15.1.2008.

<sup>(3)</sup> COM(2007) 724.

<sup>(4)</sup> See 'Review and progress of the internal market' in Chapter II, Section 2, of this Report.

<sup>(5)</sup> COM(2007) 653.

by compiling additional trade statistics according to business characteristics, the invoicing currency for imports and exports, the nature of the transaction and the tariff quota.

### ***Multilateral negotiations: Doha Round***

The negotiations to conclude the Doha Round continued throughout 2007, following the adoption of a more flexible approach to the work, which had slowed down because of the modest results of the World Trade Organisation (WTO) summit in Hong Kong in December 2005. The desire to see the negotiations on the Doha Round reach an early conclusion was expressed by the Economic and Social Committee during its meeting of 15 and 16 February <sup>(1)</sup>, and also by the Council, which considered in its conclusions of 22 May that the completion of the Doha Round would play a major role in the competitiveness of European industry. In the Presidency conclusions of 8 and 9 March, the European Council also stressed the need for an ambitious, balanced and comprehensive agreement on the Doha Development Agenda and called on its key partners to act in a spirit of constructive commitment in order to bring the negotiations to a successful close.

### ***Settlement of disputes***

In 2007 the Union was involved in 31 WTO trade disputes (15 as complainant and 16 as defendant), most of them with the United States (the European Union being the complainant in eight cases and the defendant in three). The most visible continued to be the 'Airbus/Boeing' cases brought on the grounds of alleged subsidies to these manufacturers. The dispute continued throughout the year, with the final decision expected in mid-2008. A WTO panel confirmed the Union's position challenging Brazil's restrictions on imported retreaded tyres. India repealed the additional taxes on wines and spirits. Ecuador and the USA asked for a WTO panel to be set up for the EU banana import arrangements. As regards the dispute on EU anti-dumping measures on Norwegian salmon, a WTO panel ruled in favour of Norway with regard to a number of claims, but rejected Norway's request that the measures be withdrawn.

### ***Commercial policy instruments***

On 1 August the Commission presented its 2006 report on third-country trade defence actions against the Community <sup>(2)</sup>. It counted 143 actions against the Community at the end of 2006, taken mainly by China, the United States and India.

The 2006 report on the Community's anti-dumping, anti-subsidy and safeguard activities <sup>(3)</sup> also appeared in August. It shows that 2006 was characterised by

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<sup>(1)</sup> OJ C 97, 28.4.2007.

<sup>(2)</sup> COM(2007) 461 (OJ C 246, 20.10.2007).

<sup>(3)</sup> COM(2007) 479.

an increase in the number of cases initiated and in the number of investigations terminated without the imposition of measures.

### ***Exports of dual-use items***

On 18 September the Council amended and updated Regulation (EC) No 1334/2000 setting up a Community regime for the control of exports of dual-use items and technology <sup>(1)</sup>.

### ***Access to external markets***

On 18 April the Commission adopted a communication entitled 'Global Europe: a stronger partnership to deliver market access for European exporters' <sup>(2)</sup>. This initiative is an essential component of the global Europe strategy and makes a significant contribution to the Lisbon strategy for growth and jobs. It advocates a new partnership between the Commission, the Member States and business, and highlights the coordination of measures in Europe and on the ground in non-member countries, where local expertise makes it possible to identify and deal more easily with barriers to trade. The importance of this communication was emphasised in the Council's conclusions at its meeting of 17 and 18 June.

On 13 December the Commission proposed an amendment <sup>(3)</sup> to the regulation on obstacles to trade <sup>(4)</sup> which will improve market access for European exporters and promote growth and jobs in the Community.

### ***Access to EU markets***

In the context of the importance the European Union attaches to the development dimension in its trade policy, the Commission is continuing to develop and promote the export helpdesk for developing countries, a tool which seeks to facilitate developing countries' access to EU markets.

On 21 June the Council regulation temporarily withdrawing access to the generalised tariff preferences from the Republic of Belarus entered into force <sup>(5)</sup>. This measure is in response to the failure of Belarus to take action regarding its non-compliance with its obligations to the International Labour Organisation. The effect will be to re-establish the standard tariffs applied to goods imported into the Union, which amounts to a difference of 3 % compared with the generalised system of preferences.

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<sup>(1)</sup> Regulation (EC) No 1183/2007 (OJ L 278, 22.10.2007).

<sup>(2)</sup> COM(2007) 183 (OJ C 181, 3.8.2007).

<sup>(3)</sup> COM(2007) 796.

<sup>(4)</sup> Regulation (EC) No 3286/94 (OJ L 349, 31.12.1994)

<sup>(5)</sup> Regulation (EC) No 1933/2006 (OJ L 405, 30.12.2006).

On 14 November the Commission adopted a proposal for a regulation introducing autonomous trade preferences for Moldova <sup>(1)</sup>. The proposal exempts almost all Moldovan exports to the European Union from all duties and quantitative restrictions.

### **Textiles**

January saw the adoption of an amendment to the Council regulation on common rules for imports of certain textile products from third countries <sup>(2)</sup>, and of several decisions relating to the conclusion of agreements or protocols to agreements with Azerbaijan <sup>(3)</sup>, Kazakhstan <sup>(4)</sup> and Ukraine <sup>(5)</sup>.

On 18 September the Council adopted negotiating directives on a draft agreement with Belarus on the renewal of the agreement on trade in textile products. On 10 December the Council adopted a decision approving the terms of a one-year extension to the agreement <sup>(6)</sup>.

On 18 October the Commission amended <sup>(7)</sup> the annex to the regulation on common rules for imports of certain textile products from third countries <sup>(8)</sup> to introduce a surveillance system for imports originating in China in 2008.

### **Steel products**

On 30 May the Council adopted a decision on the conclusion of an agreement on trade in certain steel products with Ukraine <sup>(9)</sup> and a regulation on administering certain restrictions on imports of these products from Ukraine <sup>(10)</sup> laid down in that agreement. The new agreement signed in Luxembourg on 18 June will apply from the date of its signing until 31 December, or until Ukraine's accession to the WTO, whichever is earlier. On 12 December the Commission adopted the regulation establishing the level of quantitative restrictions for 2008 <sup>(11)</sup>.

On 22 October the Council adopted a decision concerning the conclusion of an agreement on trade in certain steel products <sup>(12)</sup> and a regulation on administering the restrictions on imports of these products from Russia <sup>(13)</sup> laid down in that agreement. The new agreement signed in Mafra (Portugal) on 26 October during the European

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<sup>(1)</sup> COM(2007) 705.

<sup>(2)</sup> Regulation (EC) No 54/2007 (OJ L 18, 25.1.2007).

<sup>(3)</sup> Decision 2007/35/EC (OJ L 17, 24.1.2007).

<sup>(4)</sup> Decision 2007/36/EC (OJ L 17, 24.1.2007).

<sup>(5)</sup> Decision 2007/37/EC (OJ L 17, 24.1.2007).

<sup>(6)</sup> Decision 2007/861/EC (OJ L 337, 21.12.2007).

<sup>(7)</sup> Regulation (EC) No 1217/2007 (OJ L 275, 19.10.2007).

<sup>(8)</sup> Regulation (EEC) No 3030/93 (OJ L 275, 8.11.1993).

<sup>(9)</sup> Decision 2007/451/EC (OJ L 178, 6.7.2007).

<sup>(10)</sup> Regulation (EC) No 752/2007 (OJ L 178, 6.7.2007).

<sup>(11)</sup> Regulation (EC) No 1465/2007 (OJ L 327, 13.12.2007).

<sup>(12)</sup> Decision 2007/739/EC (OJ L 300, 17.11.2007).

<sup>(13)</sup> Regulation (EC) No 1342/2007 (OJ L 300, 17.11.2007).

Union–Russia summit will apply from the date of its signature until 31 December 2008, or until Russia’s accession to the WTO, whichever is earlier. The agreement is automatically renewable each year.

On 10 December the Council adopted a decision of the EC–former Yugoslav Republic of Macedonia Stabilisation and Association Council to abolish the double-checking system, without quantitative limits, for the import into the Community of steel products originating in the former Yugoslav Republic of Macedonia <sup>(1)</sup>. It is accompanied by a proposal to repeal Regulation (EC) No 152/2002, which contains rules for implementing this system in the Community <sup>(2)</sup>. It is proposed that the decision and the regulation enter into force on 1 January 2008.

On the same day the Council adopted a regulation containing autonomous measures setting quantitative limits on imports of steel from the Republic of Kazakhstan <sup>(3)</sup> to cover the interim period between 1 January 2008 and the entry into force of a new agreement in the field of steel.

### ***Intellectual property***

On 19 November the Council adopted a decision <sup>(4)</sup> on the acceptance, on behalf of the European Community, of the protocol amending the agreement on trade-related aspects of intellectual property rights (‘TRIPS agreement’). This amendment to the agreement will give developing countries with no manufacturing capacities in the pharmaceutical sector easier access to essential medicines.

## **Customs union**

On 12 February the Council adopted a regulation providing for duty-free treatment for specified pharmaceutical active ingredients bearing an ‘international non-proprietary name’ (INN) from the World Health Organisation and specified products used for the manufacture of finished pharmaceuticals <sup>(5)</sup>.

On 16 April the European Parliament and the Council adopted an action programme for customs in the Community (‘Customs 2013’) <sup>(6)</sup>. With a budget of EUR 323.8 million, this programme should be implemented as of January 2008. It aims in particular to support customs authorities with a view to facilitating trade and speeding up procedures, helping to implement the updated customs code and stepping up the exchange of information with the customs administrations of third countries.

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<sup>(1)</sup> COM(2007) 437 (OJ C 4, 9.1.2008).

<sup>(2)</sup> COM(2007) 436 (OJ C 4, 9.1.2008).

<sup>(3)</sup> Regulation (EC) No 1531/2007 (OJ L 337, 21.12.2007).

<sup>(4)</sup> Decision 2007/768/EC (OJ L 311, 29.11.2007).

<sup>(5)</sup> Regulation (EC) No 129/2007 (OJ L 56, 23.2.2007).

<sup>(6)</sup> Decision No 624/2007/EC (OJ L 154, 14.6.2007).

On 25 June the Council adopted a decision on the accession of the European Community to the World Customs Organisation (WCO) and the exercise *ad interim* of rights and obligations akin to membership. The European Community has requested membership of the WCO in order to exercise its powers regarding customs policy in international relations. It was agreed that the Community would initially gain provisional membership status in the WCO until the amendment of the Convention establishing the World Customs Organisation had been ratified by all its members <sup>(1)</sup>.

On 17 October the Commission adopted a proposal for a regulation amending Regulation (EEC) No 918/83 setting up a Community system of relief from customs duty <sup>(2)</sup>. This amendment is proposed with a view to the adoption of the directive on the exemption of imported goods from valued added tax and excise duty.

On 17 December the Council amended Regulation (EC) No 2505/96 opening and providing for the administration of autonomous Community tariff quotas for certain agricultural and industrial products <sup>(3)</sup> and Regulation (EC) No 1255/96 temporarily suspending the autonomous common customs tariff duties on certain industrial, agricultural and fishery products <sup>(4)</sup>.

In 2007 work continued within the various institutions on laying down the modernised Community Customs Code <sup>(5)</sup> and establishing e-customs, which aims to replace all customs procedures with interconnected national computerised procedures <sup>(6)</sup>.

In the field of international relations, on 11 April the Commission proposed the conclusion of an agreement on customs cooperation and mutual administrative assistance in customs matters between the European Community and the government of Japan <sup>(7)</sup>.

## Transatlantic relations

The summit between the European Union and the United States was held at the White House on 30 April, attended by US President George W. Bush, José Manuel Barroso, President of the Commission, Jacques Barrot and Günter Verheugen, Vice-Presidents of the Commission, Benita Ferrero-Waldner and Peter Mandelson, Members of the Commission, Angela Merkel, German Chancellor and President of the Council, and Javier Solana, Secretary-General of the Council and High Representative for the CFSP. In the course of this summit:

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<sup>(1)</sup> COM(2007) 252 (OJ C 181, 3.8.2007).

<sup>(2)</sup> COM(2007) 614 (OJ C 4, 9.1.2008).

<sup>(3)</sup> Regulation (EC) No 1526/2007 (OJ L 349, 31.12.2007).

<sup>(4)</sup> Regulation (EC) No 1527/2007 (OJ L 349, 31.12.2007).

<sup>(5)</sup> COM(2005) 608 (OJ C 49, 28.2.2006).

<sup>(6)</sup> COM(2005) 609 (OJ C 49, 28.2.2006).

<sup>(7)</sup> COM(2007) 177 (OJ C 181, 3.8.2007).

- a new framework was adopted for advancing transatlantic economic integration. This aims to foster cooperation and reduce the transatlantic regulatory burden. It is based on lighthouse projects annexed to the final declaration dealing with intellectual property rights, trade, financial markets, innovation and technology, and investment. A Transatlantic Economic Council will be given the task of overseeing and fine-tuning these objectives. It will be co-chaired by a Member of the Commission and a high-ranking representative of the US authorities, and will meet at least once a year;
- the two parties adopted a declaration on political and security issues, containing commitments to concrete actions to strengthen liberty, prosperity, security, peace and human rights and address regional challenges, in particular regarding Kosovo, Afghanistan, the Middle East, Iraq, Sudan and Latin America. They also agreed to make efforts to combat terrorism and to work towards visa-free travel for all EU and US citizens;
- in a joint statement the two parties also pledged to rise to the threefold challenge posed by energy security, climate change and sustainable development. They emphasised their common interest in securing safe, affordable and clean supplies of energy and in reducing pollution and greenhouse gas emissions, whilst supporting economic growth.

On the sidelines of the summit, the partners signed the 'open skies' agreement, which is the first step towards an agreement on air transport <sup>(1)</sup>.

The run-up to the summit saw the adoption on 25 April of a resolution on transatlantic relations in which the European Parliament supported the initiative by the German Presidency to launch a new transatlantic economic partnership, with a roadmap for achieving a barrier-free transatlantic market.

The first meeting of the Transatlantic Economic Council was held in Washington on 9 November. The discussions focused on developments in transatlantic economic integration and on the proposal for common measures to reduce barriers to transatlantic trade. In particular, the two parties opened a dialogue on facilitating transatlantic investment and drew up a roadmap for achieving the mutual recognition of US and EU trade partnership programmes by 2009. They also discussed the compatibility of biofuels standards, product safety conformity assessment and the provision of information to consumers on pharmaceutical products.

A conference was held between the European Union and the United States in Geneva on 1 February on the fight against piracy and counterfeiting. The meeting was an opportunity to take stock of the situation and to prepare the ground for the future development of cooperation in this field.

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<sup>(1)</sup> Decision 2007/339/EC (OJ L 134, 25.5.2007).

An agreement on the security of classified information <sup>(1)</sup> was signed in Washington and entered into force on 30 April, allowing information of this kind to be exchanged between the European Union and the United States.

Confidentiality arrangements to improve health protection and facilitate trade between the Union and the United States were signed in Brussels on 2 July. Both partners will now be able to exchange confidential information about the safety of cosmetics and medical devices.

An agreement between the European Union and the United States on the processing and transfer to the United States Department of Homeland Security of passenger name record (PNR) data by air carriers was signed on 23 July <sup>(2)</sup>.

## **Relations with other industrialised and high-income countries**

### ***G8 summit***

The G8 Heads of State or Government met in Heiligendamm (Germany) from 6 to 8 June. The summit was chaired by Angela Merkel, the German Chancellor and President of the Council. The discussions centred on climate change, development aid, particularly to Africa, ways of improving the investment environment and responsibility, and international trade (the Doha Round), including the social dimension of globalisation.

At its June meeting the European Council welcomed the launching by the G8 summit of the Heiligendamm process, which establishes a new form of dialogue, in particular with Brazil, China, India, Mexico and South Africa. The European Council recognised the ever-growing importance of these and other emerging economies. It considered that the Heiligendamm process should intensify political dialogue and foster cooperation with these countries.

### ***Japan***

The European Union–Japan summit was held in Berlin on 5 June. The partners reaffirmed their desire to further strengthen the long-standing partnership between the Union and Japan and their commitment to contributing to the resolution of global challenges, including global climate change and the question of energy security. An EU–Japan action plan on the protection and enforcement of intellectual property rights was also adopted, and on the sidelines of the summit a customs cooperation agreement was initialled.

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<sup>(1)</sup> Decision 2007/274/JHA (OJ L 115, 3.5.2007).

<sup>(2)</sup> Decision 2007/551/CFSP/JHA (OJ L 204, 4.8.2007).

**Canada**

The European Union–Canada summit was held in Berlin on 4 June. In the final declaration, the partners recognised that their bilateral relations were strong and agreed to make progress in achieving the three key objectives of peace and security, an economic partnership, and energy and climate security. A roadmap for regulatory cooperation between the Community and Canada for 2007–08 was also adopted.

**New Zealand**

The ministerial troika between the European Union and New Zealand took place in Lisbon on 21 September. During the meeting, the Union and New Zealand adopted a new joint declaration on relations and cooperation which will serve as the basis of their relations during the next five years. The declaration aims at strengthening cooperation, especially concerning bilateral trade and investment, regional security, energy security, climate change and the fight against terrorism

**European Economic Area (EEA)**

The 27th meeting of the EEA Council was held in Brussels on 15 May. The discussions centred on the situation in the Middle East, Afghanistan and Kosovo. The Council particularly welcomed the conclusion of the negotiations to expand the EEA Agreement to include Bulgaria and Romania as contracting parties, and of the preparations for participation by the EEA/EFTA in EU programmes with EEA relevance for the period 2007–13.

On 23 July the Council adopted a decision on the signing and the provisional application of an agreement on the participation of the Republic of Bulgaria and Romania in the EEA after their accession to the EU and four related agreements<sup>(1)</sup>. The EEA now comprises 30 member countries and forms an internal market of almost 500 million consumers. Since the negotiations on EEA enlargement had not, as planned, been concluded by 29 March, it was necessary to ensure that this EEA enlargement agreement came into force as quickly as possible, hence the proposal for its provisional application.

On 20 November the 28th meeting of the EEA Council was held in Brussels. The discussions centred on the situation in Kosovo, the Middle East and Darfur (Sudan). The participants welcomed the signing of the EEA enlargement agreement in July and its provisional application, thus adding Bulgaria and Romania to the contracting parties to the EEA Agreement, and asked the member countries to conclude the ratification procedures as quickly as possible.

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<sup>(1)</sup> Decision 2007/566/EC (OJ L 221, 25.8.2007).

## Relations with emerging countries

The European Union–China summit was held in Beijing on 28 November. The European and Chinese leaders touched on a number of bilateral issues relating to the development of their economic and trade relations, with particular attention to the following issues: the exchange rate, the trade deficit and negotiations on the partnership and cooperation agreement, and progress in the fields of science and technology, the environment, education and the information society. Regional and international issues such as climate change, energy, development in Africa, and developments in Myanmar (Burma), the Korean peninsula, Iran and the Middle East were also discussed.

The European Union–India summit was held in New Delhi on 30 November. The partners took stock of the implementation of the action plan adopted in September 2005, which is up for review in 2008. The leaders signed a memorandum of understanding on financial cooperation between the Union and India for the period 2007–10. They also renewed the 2001 cooperation agreement on science and technology and announced the establishment of a European business and technology centre in India. The two partners noted the progress made in their bilateral trade negotiations, which were given official status in Helsinki in 2006 and launched last June. On a political level, the emphasis once again was placed on multilateralism, energy, climate change, disarmament and non-proliferation, and the fight against terrorism.

The first summit between the European Union and Brazil was held in Lisbon on 4 July, with a view to establishing a strategic partnership aimed at deepening relations<sup>(1)</sup>. The European Union now has a strategic partnership with all the emerging countries in the BRIC group (Brazil, Russia, India and China).

Relations with the countries of Latin America are dealt with under ‘Regional approaches’ in Section 3 of this chapter.

## Relations with international organisations

### *Organisation for Economic Cooperation and Development*

The Commission played an active part in the work of the Organisation for Economic Cooperation and Development (OECD) on the economic and social aspects of globalisation, including the OECD Ministerial Council Meeting in May on innovation: advancing the OECD agenda for growth and equity, the World Forum on measuring and fostering the progress of societies and the new Heiligendamm process to implement the conclusions of the G8 summit in June on growth and responsibility in the world economy. The OECD also conducted an initial general assessment of Community policies, the final report being published on 20 September. The

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<sup>(1)</sup> See ‘Regional approaches’ in Section 3 of this chapter.

Commission continues to back an institutional reform of the OECD and the greater involvement of rising economies in its work. In particular, it continues to support OECD membership for EU Member States that are not yet members, such as Bulgaria, Estonia, Cyprus, Latvia, Lithuania, Malta, Romania and Slovenia.

### ***World Bank and International Monetary Fund***

On 5 and 6 February the European institutions played host for the fourth time to the World Bank's European executive directors group in order to discuss the Union's votes at the World Bank, budgetary support, the replenishment of the resources of the International Development Association (IDA 15), the European Investment Bank and new donors. All the key players from the European Community, non-governmental organisations and the European Parliament took part in the discussions. In 2007 the European executive directors submitted over 30 joint statements to the Board of Governors of the World Bank.

On 14 and 15 April, during the spring meetings of the World Bank and the International Monetary Fund (IMF), the European Union took part in a joint meeting with the European executive directors, the World Bank and the IMF to discuss the interaction between the reform processes at the IMF and the World Bank and progress in the coordination of the Union's positions within these institutions.

The annual meetings of the World Bank and the IMF and the meeting of the Development Committee were held in Washington from 20 to 22 October. The Commission took part in the discussions on reforming governance and finances at the IMF and reforming the strategic direction of the World Bank.

Other aspects of relations with the World Bank are also dealt with under 'World Bank and regional development banks' in Section 5 of this chapter.

### ***European Bank for Reconstruction and Development***

In 2007 the European Bank for Reconstruction and Development (EBRD) granted a total of EUR 5.6 billion for the financing of projects located mainly in countries in the south and east of the European Union.

Two of the projects were finalised under the tripartite agreement concluded in December 2006 between the Commission, the EBRD and the European Investment Bank, whilst three are in an advanced state of preparation.

Cooperation was consolidated under the Jaspers programme (joint assistance to support projects in European regions), which aims to assist Member States in central and eastern Europe to develop high-quality projects which will receive support from the European Union's Structural and Cohesion Funds. Three regional offices were opened (in Bucharest, Warsaw and Vienna).

On 13 July the Commission and the EBRD signed a memorandum of understanding to step up energy cooperation and extend it beyond the simple decommissioning of nuclear installations. The parties expressed their desire to expand cooperation by supporting projects relating to both security of supply and energy efficiency. Discussions have also started between the Commission and the EBRD on a revision of the Bank's environment policy.

### **General references and other useful links**

- Directorate-General for Trade:  
[http://ec.europa.eu/trade/index\\_en.htm](http://ec.europa.eu/trade/index_en.htm)
- World Trade Organisation:  
<http://www.wto.org/index.htm>
- Doha Development Agenda:  
[http://ec.europa.eu/trade/issues/newround/doha\\_da/index\\_en.htm](http://ec.europa.eu/trade/issues/newround/doha_da/index_en.htm)  
[http://www.wto.org/english/tratop\\_e/dda\\_e/dda\\_e.htm](http://www.wto.org/english/tratop_e/dda_e/dda_e.htm)
- Directorate-General for External Relations:  
[http://ec.europa.eu/external\\_relations/index.htm](http://ec.europa.eu/external_relations/index.htm)
- EU-US relations:  
[http://ec.europa.eu/external\\_relations/us/intro/index.htm](http://ec.europa.eu/external_relations/us/intro/index.htm)

### *Section 3*

## **Contributing to international solidarity**

### **Protecting and promoting common values beyond the borders of the European Union**

The European Union acts both at multilateral and bilateral level through the financial instruments at its disposal to promote and protect human rights and to foster democratic developments and respect for the rule of law worldwide.

Considerable efforts were made in 2007 to make the newly created United Nations Human Rights Council (HRC) operational, which allowed some urgent cases of human rights violations, such as those occurring in Darfur (Sudan) and Myanmar (Burma), to be addressed. However, in its annual review of human rights in the world in 2006, adopted on 26 April, the European Parliament criticised the HRC for its inability to come to reasonable compromises on urgent situations of human rights violations. Among other major human rights problems in the world, Parliament noted the Chinese approach on human rights, the Guantanamo camps and the arms trade, particularly the trade in small arms on which, according to Parliament, there ought to be an international agreement.

The European Union also contributed to the work of the UN General Assembly in the field of human rights, particularly on the setting of new standards, such as the UN Convention against Enforced Disappearances and the UN Convention on the Rights of People with Disabilities. The latter is a human rights instrument that specifically includes a social dimension and is the first major human rights convention to which the European Community as such has become a signatory.

Human rights issues were consistently integrated in policy dialogues established under association and cooperation agreements with non-member countries, such as the Cotonou Agreement between the European Union and the African, Caribbean and Pacific (ACP) States, and the European neighbourhood policy. The Union also pursued its dedicated human rights dialogue with China and its human rights consultations with Russia, Canada, the United States, Japan, New Zealand and the candidate countries for accession to the European Union. A significant new step was the setting-up of a human rights dialogue with Uzbekistan. Moreover, in the framework of the European Union's central Asia strategy, similar dialogues are to be established with all countries of that region.

This cooperation-based approach notwithstanding, the European Union did not hesitate to undertake specific demarches whenever serious human rights violations occurred throughout the world, such as in China, Iran, Sri Lanka, Sudan and Yemen. It continued to actively promote the fight against torture and the abuse of children during armed conflicts, and enhanced its support to human rights defenders worldwide. It also continued to advocate the abolition of the death penalty, demonstrating its firm political commitment by its decision to introduce a resolution against the death penalty at the 62nd UN General Assembly as part of a cross-regional alliance.

Within the framework of the comprehensive reform of the Union's external assistance programmes, the new European Instrument for Democracy and Human Rights established in 2006 <sup>(1)</sup> entered into force on 1 January. In terms of financial scope, it provides for EUR 1.104 billion in support funds for human rights, democratisation and rule-of-law-related assistance activities in non-member countries over the period 2007–13. Assistance under the instrument is primarily geared towards partnership with civil society actors as well as international organisations engaged in protecting and promoting human rights, democracy, justice and the rule of law. The new instrument also constitutes the financing basis for the European Union's wide-ranging election observation activities, which have now become a vital tool for strengthening democratic processes in non-member countries.

The European Union Agency for Fundamental Rights was set up on 15 February <sup>(2)</sup> with the task of protecting fundamental rights within the Union. Its basic regulation

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<sup>(1)</sup> Regulation (EC) No 1889/2006 (OJ L 386, 29.12.2006).

<sup>(2)</sup> Regulation (EC) No 168/2007 (OJ L 53, 22.2.2007). See 'Protecting fundamental rights and combating discrimination' in Chapter III, Section 3, of this Report.

nevertheless provides for close cooperation with the Council of Europe and with the Organisation for Security and Cooperation in Europe, the United Nations and other international organisations active in the protection of fundamental rights. The Agency is also open to European Union candidate countries and to countries with which stabilisation and association agreements have been concluded (western Balkans).

On 15 October the Council adopted the ninth European Union annual report on human rights.

Amongst the wide range of development instruments and programmes available to the Commission, several particularly reflect the Union's values on the international stage. On behalf of its citizens, the European Union carries out more than 2 000 operations per year in a spirit of solidarity with people across the world. These theme-based activities are concrete examples of the fight against poverty and hunger, against torture, against AIDS, against human trafficking as well as for a stronger civil society, for the rehabilitation of the victims of drugs, for the environment or for a more democratic and just society. Projects are often undertaken in difficult conditions in partnership with non-governmental organisations that run the operation with the support of a financial contribution from the Commission. Such contributions total approximately EUR 870 million annually.

## **Development policy**

### ***General approach***

On 28 February the Commission adopted a communication on an 'EU code of conduct on division of labour in development policy' <sup>(1)</sup>. The Commission considers that an agreement on the division of labour will increase aid effectiveness, strengthen the role of development cooperation in the Union's external relations and contribute to the construction of a European identity based on the values contained in the European Consensus on Development. The code of conduct was the subject of Council conclusions on 15 May.

Since the Monterrey Conference on Development Financing in 2002, the European Union has entered into a series of commitments concerning the volume, sources and effectiveness of development aid. The Council has instructed the Commission to ensure that these commitments are implemented. On 4 April three communications were adopted to this end.

- The first, 'From Monterrey to the European Consensus for Development: honouring our commitments' <sup>(2)</sup>, is aimed at framing the entire process with a political summary of the messages to be used for external communication. The studies

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<sup>(1)</sup> COM(2007) 72 (OJ C 181, 3.8.2007).

<sup>(2)</sup> COM(2007) 158 (OJ C 181, 3.8.2007).

carried out show that the European Union, though heading in the right direction, will require unflinching political will and greater mobilisation of public support if it is to honour its commitments in full. It is therefore crucial that the technical studies made and the resulting recommendations be widely disseminated.

- The second, 'Towards an EU aid for trade strategy — The Commission's contribution' <sup>(1)</sup>, marks a new stage in the European Union's commitment to global efforts in the matter of aid for trade and coordinating its development aid better. The communication gives particular attention to the African, Caribbean and Pacific countries in connection with the economic partnership agreements. The European Parliament and the Council gave their view on this communication on 15 May and 23 May respectively.
- The third, 'Keeping Europe's promises on financing for development' <sup>(2)</sup>, is the fifth annual report on the progress made since the Monterrey Conference and also a response to the commitments given by the Council in May 2005 at the time of the review of the millennium development goals. This communication is accompanied by a working paper containing a more detailed analysis. The report is based on the Member States' responses to the latest annual survey, which was carried out in January. The Council took note of this communication in its conclusions of 15 May.

On 7 June the Committee of the Regions <sup>(3)</sup> commented on the Commission's 2006 communication on governance in the European Consensus on Development <sup>(4)</sup>. In particular, the Committee found that good governance required all tiers of authority in a country to govern according to the principles of transparency, public participation and respect for subsidiarity.

In a resolution adopted on 20 June, the European Parliament noted the size of the commitments entered into in the context of the millennium development goals, while expressing concern regarding donors' fulfilment of their commitments on Africa. On 12 July Parliament commented on the need for democratic scrutiny of the implementation of the financing instrument for development cooperation established in December 2006 <sup>(5)</sup>.

On 21 June the Commission adopted the annual report for 2007 on the European Community's development policy and the implementation of external assistance in 2006 <sup>(6)</sup>.

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<sup>(1)</sup> COM(2007) 163 (OJ C 181, 3.8.2007).

<sup>(2)</sup> COM(2007) 164 (OJ C 181, 3.8.2007).

<sup>(3)</sup> OJ C 197, 24.8.2007.

<sup>(4)</sup> COM(2006) 421.

<sup>(5)</sup> Regulation (EC) No 1905/2006 (OJ L 378, 27.12.2006).

<sup>(6)</sup> COM(2007) 349 (OJ C 191, 17.8.2007).

On 20 September the Commission adopted the first 'EU report on policy coherence for development' (PCD) <sup>(1)</sup>. PCD commitments were taken on in 12 policy areas: trade, environment, climate change, security, agriculture, fisheries, the social dimension of globalisation, employment and decent work, migration, research, information society, transport and energy. It indicates that the drive for coherence should help achieve the millennium development goals faster. It was the subject of Council conclusions on 20 November which will help bring the Union's PCD agenda forward in 2008 and 2009.

On 25 October the Commission adopted a communication 'Towards an EU response to situations of fragility — Engaging in difficult environments for sustainable development, stability and peace' <sup>(2)</sup>. The communication was forwarded to the other Union institutions with a view to launching a discussion aimed at consolidating a comprehensive European Union strategy for addressing fragility. Parliament commented on this communication on 15 November, while the Council discussed it at its meeting on 19 and 20 November.

### ***Employment, social cohesion and human and social development***

The Commission strengthened its role on the global forums and contributed significantly to advancing the education and health agendas in development cooperation. The Commission was the co-chair of the Education for All — Fast Track Initiative for a year (July 2006 to June 2007), which placed it at the centre of international discussions on improving harmonisation between donors and aid effectiveness in the field of education. Together with the United Kingdom government and the World Bank, the Commission also organised a high-level event on education focusing on more, better, faster and long-term predictable financing for education in developing countries.

The Commission further strengthened its role in the Global Fund to Fight HIV/AIDS, Tuberculosis and Malaria by holding the position of vice-chair of the Board for one year (April 2006 to April 2007). On 23 April, in this connection, the Council adopted conclusions on recently emerging issues regarding HIV/AIDS based on a paper presented by the German Presidency focusing on newly emerging issues and barriers that hinder progress in tackling HIV and AIDS and on the effective implementation of the European programme of action to confront HIV/AIDS, tuberculosis and malaria adopted in 2005.

The role of women in development policy remained at the centre of the Union's concerns in 2007. On 8 March the Commission adopted a communication 'Gender equality and women empowerment in development cooperation' <sup>(3)</sup>. Drawn up following extensive consultation with Member States, international organisations and representatives of civil society, the communication constitutes a response to the

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<sup>(1)</sup> COM(2007) 545 (OJ C 4, 9.1.2008).

<sup>(2)</sup> COM(2007) 643.

<sup>(3)</sup> COM(2007) 100 (OJ C 181, 3.8.2007).

commitments contained in the European Consensus. It is also the 'external relations' component of the roadmap for gender equality. The communication draws up for the first time a European strategy for the promotion of gender equality and women's empowerment that reinforces the twin-track approach of gender mainstreaming and gender-specific actions. This initiative was supported by the Council in its conclusions of 14 May.

On the same day the Council approved the programme of action put forward by the Commission in December 2006 <sup>(1)</sup> for tackling the critical shortage of health workers in developing countries.

At its meeting of 17 and 18 June, the Council adopted conclusions on promoting employment through European Union development cooperation. These conclusions followed the approval of the Commission working document on the same subject and underline the increased attention to employment in European Union development cooperation.

On 10 May the Commission also adopted a thematic strategy for human and social development covering the period 2007–13 under the title 'Investing in people'. Driven by the ambition to help the Union's partner countries to achieve the millennium development goals, the strategy proposes to support activities under four main pillars: good health for all; education, knowledge and skills; gender equality; and other aspects of human and social development (including social cohesion, employment, decent work, children and youth, and culture). It has an overall budget of EUR 1.06 billion for the period 2007–13 under the Development Cooperation Instrument.

On 23 May the European Parliament adopted a detailed report on promoting decent work in the world, following on from the Commission communication of 24 May 2006 and the Council conclusions of 1 December 2006 on this theme <sup>(2)</sup>. It stressed that full consideration should be given to the promotion of decent work in the Union's development policy and external cooperation. It also supported the strengthening of cooperation between the European Union and the International Labour Organisation. The European Economic and Social Committee adopted a similar position in its opinion of 17 January.

The Union was an active participant in the negotiations at the UN General Assembly on the Convention on the Rights of Persons with Disabilities, held on 30 March in New York, and was among the first signatories of the Convention <sup>(3)</sup>.

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<sup>(1)</sup> COM(2006) 870 (OJ C 126, 7.6.2007).

<sup>(2)</sup> See also 'Relations with international organisations' in Section 2 of this chapter.

<sup>(3)</sup> See 'Protecting and promoting common values beyond the borders of the European Union' in Section 3 of this chapter.

On 10 May the Commission adopted a communication <sup>(1)</sup> on a European agenda for culture in a globalising world <sup>(2)</sup>. One of the objectives of the communication is to promote culture as a vital element in the European Union's international relations in order to build bridges with other regions of the world.

### ***Sustainable development***

In a resolution <sup>(3)</sup> adopted on 1 February the European Parliament emphasised the need to ensure that the three components of sustainable development, namely environmental protection, social equity and cohesion, and economic prosperity, were properly integrated and implemented in all development cooperation policies and urged the Commission to regularly review this process.

On 25 May the Council adopted a declaration on the fight against drought and desertification in support of a reform of the UN Convention to Combat Desertification <sup>(4)</sup>.

On 20 June the Commission adopted a thematic strategy for the environment and sustainable management of natural resources, including energy (ENRTP). With an indicative amount of EUR 804 million for the ENRTP for the period 2007–10, the strategy's objective is to integrate environmental protection requirements into the Community's development and other external policies as well as to help promote the Community's environmental and energy policies abroad in the common interest of the Community and partner countries and regions.

On 18 September the Commission adopted a communication <sup>(5)</sup> 'Building a global climate change alliance between the European Union and poor developing countries most vulnerable to climate change' <sup>(4)</sup>.

In the first sustainable development strategy progress report <sup>(6)</sup>, adopted by the Commission on 22 October <sup>(7)</sup>, poverty eradication in the world was once again identified as a key challenge. The report, which presents the results of the implementation of the sustainable development strategy, identified some encouraging developments in delivery of the millennium development goals. Global poverty had fallen by 4 %, and the school completion rate had risen from 78 % in 2000 to 83 % in 2005. The report also pointed to an improvement in aid quality and effectiveness. However, pressures on environmental sustainability remained high, notably access to key resources, and 1 billion people still lived in extreme poverty.

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<sup>(1)</sup> COM(2007) 242 (OJ C 181, 3.8.2007).

<sup>(2)</sup> See 'Culture' in Chapter III, Section 3, of this Report.

<sup>(3)</sup> OJ C 250 E, 25.10.2007.

<sup>(4)</sup> See 'Environment' in Chapter III, Section 2, of this Report.

<sup>(5)</sup> COM(2007) 540.

<sup>(6)</sup> COM(2007) 642.

<sup>(7)</sup> See 'Sustainable development strategy' in Chapter II, Section 1, of this Report.

With a view to increasing its contribution to the first millennium development goal (reducing hunger), on 4 May the Commission adopted the 2007–13 thematic strategy document for food security under the Development Cooperation Instrument.

The Bali conference in December (1) also took decisions on several other issues, including deforestation, establishing a fund to help developing countries adapt to the impacts of climate change, and scaling up financing for the transfer of technology to developing countries.

In the area of sustainable development, the Union remained the world's largest donor to Africa and was very active in the Mediterranean region. Many challenges remain, however, in particular environmental migrants and internally displaced persons, and the implementation of water and forests initiatives. Similarly, the Union has to ensure that the environmental element of sustainable development is sufficiently considered and work towards an international environment governance system.

### ***International cooperation in the fight against drugs***

Two main developments characterised the multilateral efforts against drugs in 2007. Firstly, the start of preparations for the assessment of the achievements derived from the commitments undertaken by the international community at the 1998 UN General Assembly special session on drugs. To that effect the European Union sponsored a resolution at the 50th UN Commission on Narcotic Drugs on measures to establish such assessment and the European Commission financed a group of experts to help ensure that the assessment is evidence based. Secondly, a new phase of the Paris Pact process was launched, which seeks to strengthen international efforts along the heroin route and which is mostly financed by Community funds. Under this initiative, three round-table meetings took place in 2007 on anti-precursor diversion and on anti-drugs efforts in the Caspian Sea and between Afghanistan and its neighbours. In all of them, as well as in the Pact's consultative policy meeting, the Commission, as well as several Member States, participated actively. Several Member States and the Commission were active in the year's only plenary session of the Dublin Group at which, for the first time ever, a non-member country (Iran) was invited to participate for part of the session.

In the bilateral context, European Union troika meetings on drugs were organised with Afghanistan, the United States, Russia, the Balkans and, for the first time ever, Ukraine and the Economic Community of West African States. The European Union–Latin America–Caribbean cooperation and coordination mechanism on drugs held its annual meeting in Port of Spain in May, while the high-level dialogue on drugs between the Union and the Andean Community was held in Bogota in November.

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(1) See 'Environment' in Chapter III, Section 2, of this Report.

As in recent years, Afghanistan continued to be ahead of the Andean region as the main focus of European Union cooperation with other countries in the area of drugs. In both, the Union's strategy is mainly aimed at supporting the development of substitution activities; however, law enforcement initiatives are also a significant feature in the Community programme in Afghanistan. Central Asia, eastern Europe and the Caucasus also benefit from regional programmes against drugs that address border control, trafficking and demand reduction concerns in these regions. Several interregional initiatives, financed by the Commission (Latin America–Caribbean, Latin America–Caribbean–Asia, Balkans–Mediterranean, Latin America–Caribbean–Africa) are also being implemented covering inter alia intelligence sharing, drug treatment and harm reduction.

### ***Commodities***

On 22 January the Council agreed to an extension of the International Coffee Agreement 2001, which expired on 24 September <sup>(1)</sup>.

On 5 September the Commission adopted a proposal regarding the position to be taken within the International Cocoa Council on the extension of the International Cocoa Agreement 2001 <sup>(2)</sup>, which is due to expire on 30 September 2008.

The all-ACP agricultural commodities programme started to become operational in 2007 and implementation of the EU–Africa cotton partnership picked up pace.

On 18 April, as part of the accompanying measures for the ACP Sugar Protocol countries introduced in the wake of the trade shock created by the reform of the European sugar regime, the Commission decided on the allocation of the budget between eligible countries; it also adopted national support strategies for the last five countries concerned.

## **Humanitarian aid**

### ***General approach***

Under its humanitarian aid policy the Commission provides assistance to the victims of natural or man-made disasters in non-European Union countries on the sole basis of humanitarian needs. In 2007 the Commission's response to humanitarian crises in more than 70 countries was channelled through 85 financing decisions for a total amount of EUR 768.5 million.

The Commission does not implement assistance programmes itself. It is a donor and implements its mission by funding Community humanitarian actions through

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<sup>(1)</sup> OJ L 42, 14.2.2007.

<sup>(2)</sup> COM(2007) 499.

partners which have signed the framework partnership agreement, such as NGOs and international organisations (Red Cross family), or the financial and administrative framework agreement between the European Community and the United Nations for the UN agencies.

In 2007 47 % of the funds were allocated to NGOs, 42 % to UN agencies and 11 % to other international organisations.

The key objectives for 2007 were attained in accordance with the strategy set out at the start of the year.

Although, in humanitarian aid terms, the year saw no major natural disasters, a flurry of medium-scale disasters occurred, including flooding in Africa, India and Bangladesh, hurricane Felix in Nicaragua, tropical cyclone Sidr in Bangladesh, hurricane Dean in the Caribbean and the earthquake in Peru.

No new complex crises arose during the year, but a number that already existed in 2006, notably in Chad, Colombia, Somalia, Sri Lanka and Sudan continued and, in some cases, the situation even worsened.

In terms of numbers of beneficiaries, 104 million persons were assisted by projects financed under the humanitarian aid budget line.

The Commission's policy is to pay particular attention to 'forgotten' crises — existing crisis situations where major humanitarian needs receive little attention from donors (reflected in the per capita humanitarian and development aid index). In 2007 the total support allocated to forgotten crises (the situation of Sahrawi refugees in Algeria, Chechnya, the separatist conflict in Jammu and Kashmir in India, Nepal, Myanmar (Burma) and Colombia) amounted to EUR 59 million, representing 13 % of the amounts committed in 2007 for geographical decisions adopted under the humanitarian aid budget line. With the exception of Colombia, these crises were already designated as forgotten crises in 2006.

At the level of humanitarian aid policy, an important step forward was made in 2007 with the adoption of the statement on the European consensus on humanitarian aid, based on the Commission communication 'Towards a European consensus on humanitarian aid' presented on 13 June<sup>(1)</sup>. In developing its communication, the Commission reviewed lessons learnt in its responses to a number of major crises and conducted an intensive consultation process of its humanitarian partners and of Member States. The consultation showed considerable consensus on the challenges faced by humanitarian aid workers and the need for the Union to take a clear stance in this respect. The intensive negotiations with the European Parliament and Council which followed the communication led to the adoption of the statement on the

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<sup>(1)</sup> COM(2007) 317 (OJ C 191, 17.8.2007).

European Consensus on 18 December. The European Consensus, signed by the three institutions (Parliament, Council and Commission), confirms the principles and best practices for humanitarian action with the aim of promoting a coordinated approach that would allow the Union to maximise its contribution to the international humanitarian response.

### ***Food aid***

In line with the Commission communication <sup>(1)</sup> which established the principle of one instrument per policy area in order to improve the efficiency of Community action, it was decided to link emergency food aid with humanitarian aid to allow the management of short-term food security and food aid to be coordinated. For the first year of implementation, the Commission implemented two financial decisions worth a total value of EUR 220 million to meet the food needs of vulnerable population groups in an ever-changing environment.

The first year of implementation of food aid linked to humanitarian aid saw 25 million persons assisted.

### ***Disaster preparedness***

The Commission supports disaster-preparedness activities in several regions of the world. In 2007, as part of its Dipecho disaster-preparedness programmes, the Commission launched new projects in the Caribbean, southern Asia, central America and Latin America totalling EUR 19.5 million. The Commission mainstreams disaster preparedness in its relief interventions when and where appropriate. It also works with the key development actors at European and international level on better integrating disaster risk reduction in development activities and coordinating efforts to adapt to climate change in high-risk countries.

In terms of numbers of beneficiaries, some 20 million persons were assisted by projects financed under the disaster-preparedness budget line.

### ***Humanitarian aid operations***

In 2007 the Commission allocated EUR 768.5 million to humanitarian aid operations through the Humanitarian Aid DG (ECHO).

The main operations financed are set out by region in Table 2.

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<sup>(1)</sup> COM(2004) 101 (OJ C 98, 23.4.2004).

**Table 2**

<b>Humanitarian aid financing decisions (2007 budget) by geographical area</b>	
<i>(EUR)</i>	
<b>Operation regions</b>	<b>Amount decided for 2007</b>
<b>Africa, Caribbean and Pacific (total)</b>	<b>422 760 000</b>
Africa	2 000 000
Horn of Africa	217 950 000
Great Lakes	89 500 000
West Africa	46 600 000
Caribbean, Pacific	16 310 000
Southern Africa, Indian Ocean	50 400 000
<b>New Independent States, Middle East and Mediterranean (total)</b>	<b>124 897 000</b>
NIS (Chechnya, Caucasus, Tajikistan, etc.)	25 807 000
Middle East, Mediterranean	99 090 000
<b>Asia and Latin America (total)</b>	<b>157 366 000</b>
Asia	117 301 000
Latin America	40 065 000
<b>Thematic funding and grants</b>	<b>28 900 000</b>
<b>Technical assistance (experts and offices)</b>	<b>25 400 000</b>
<b>Other expenses (audits, evaluations, information, etc.)</b>	<b>9 207 000</b>
<b>Total</b>	<b>768 530 000</b>

The main operations were in the following countries and regions.

- Africa:
  - in Sudan (EUR 110 million) in response to humanitarian needs (including food aid) arising from the conflict situation, natural disasters and epidemics affecting the country;
  - in the Democratic Republic of the Congo (EUR 50 million) to provide basic healthcare and assistance to displaced persons and refugees, targeting the most vulnerable (women and children). The ECHO Flight humanitarian air service was also continued;
  - in Chad (EUR 30.5 million) to assist the most vulnerable in the refugee, displaced and host communities. Operational areas included protection, health and food/nutrition, while other activities were conducted in the areas of water and sanitation, basic education, etc.
- Middle East:
  - in Palestinian communities (EUR 60 million), assistance being provided to the most vulnerable in the following areas: food, health, shelter, water and sanitation, psychosocial support and protection. Additional assistance totalling more than EUR 28 million was allocated to the most vulnerable sections of the

community on account of the crisis in the West Bank and Gaza Strip, and to Palestinian refugees in Jordan, Lebanon and Syria.

- New Independent States (NIS):
  - in Chechnya (EUR 21 million) where the most urgent needs were covered (rehabilitation of homes that had been destroyed, food security, income-generating activities, protection and psychosocial assistance).
- Asia:
  - in Afghanistan (EUR 27 million) where relief programmes for refugees and displaced persons were launched and multisectoral assistance was provided to the most vulnerable.
- Latin America:
  - in Colombia (EUR 13 million) where aid was provided to the recently displaced to help restore their self-sufficiency. Basic services were also provided to communities that were isolated or under the control of armed groups.

## Regional approaches

### ***Cooperation with the African, Caribbean and Pacific (ACP) countries and overseas countries and territories (OCT)***

#### **Financial cooperation**

On 19 March the Council amended <sup>(1)</sup> the 2001 decision on the association of the overseas countries and territories with the European Community <sup>(2)</sup> with a twofold aim: first, to extend the original period of validity of the decision laid down in 2001 until 31 December 2013 so that it coincided with the duration of the 10th European Development Fund (EDF) (2008–13) and the multiannual financial framework 2007–13; second, to insert a number of new provisions concerning, in particular, technical assistance and access for OCT to thematic programmes financed by the Union. Under the 10th EDF, the funding allocated to the OCT amounts to a total of EUR 286 million.

On 16 July the Commission adopted a proposal for a financial regulation applicable to the 10th EDF <sup>(3)</sup> and, on 18 July, presented a proposal for the adoption of new rules of procedure for the European Development Fund Committee <sup>(4)</sup>.

The Commission met its objective by committing all ninth EDF funds before the end of the year, the first time that the whole of one EDF had been committed before the entry into force of the next. The implementation of development cooperation also

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<sup>(1)</sup> Decision 2007/249/EC (OJ L 109, 26.4.2007).

<sup>(2)</sup> Decision 2001/822/EC (OJ L 314, 30.11.2001).

<sup>(3)</sup> COM(2007) 410 (OJ C 246, 20.10.2007).

<sup>(4)</sup> COM(2007) 427 (OJ C 246, 20.10.2007).

picked up pace. Contracts and payments under the EDF reached record levels in 2007. Most EDF commitments in the year concerned infrastructure (27 %) and economic development (8 %). Budgetary and sectoral support programmes accounted for 22 % of the new programmes approved in 2007.

The Commission continued to commit substantial resources to major worldwide initiatives such as the Global Fund to Fight HIV/AIDS, Tuberculosis and Malaria, and to European Union initiatives, e.g. the ACP–EU water and energy facilities, and the African Peace Facility. The Commission also launched the Infrastructure Trust Fund for Africa, for which an initial allocation of EUR 108 million was made available.

EDF operations undertaken for the benefit of the ACP States and OCT in 2007 came to a total of EUR 3.63 billion. The breakdown of this amount is given in Table 3.

**Table 3**

<b>EDF operations for the benefit of the ACP States and OCT in 2007</b>		<i>(EUR)</i>
<b>Operation regions</b>	<b>Amount decided for 2007</b>	
Africa	2 156 876 551.74	
Caribbean	241 715 281.13	
Pacific	112 431 663.45	
OCT	150 475 235.47	
Non-geographical programmes	971 283 375.98	
<b>Total</b>	<b>3 632 782 107.77</b>	

### **Regional economic partnership agreements**

On 15 May the Council confirmed its commitment to the ongoing negotiations with six ACP regions on economic partnership agreements (EPAs) to replace the current system of unilateral preferences by 1 January 2008. It also agreed that the ACP States would have duty- and quota-free access to the Union's market after certain transitional periods. The Council recognised the need for improved rules of origin so that the ACP States could benefit fully from improved access to the European Union market. The Council also recognised that access to ACP markets by the European Union must be progressive and carefully managed, and that flexibility in favour of ACP States (exclusions of products, long transition periods and safeguard clauses) must be compatible with World Trade Organisation rules.

On 23 May the European Parliament adopted a resolution on EPAs, calling on the Commission to make the conditions for the agreements less onerous for the ACP countries, given the delay in the talks and the lack of readiness on the part of these countries for the reforms required. Parliament called for the pacing, timing and scope of liberalisation to be gradual and flexible in order to improve ACP regional integration

and competitiveness. It asked for duty-free, quota-free market access for the ACP countries as well as simplified, liberalised and more flexible rules of origin in EPAs.

On 19 October the Commission adopted a communication on economic partnership agreements <sup>(1)</sup> in which it set out the strategy that it intended to adopt in the EPA negotiations with the ACP regions.

On 20 November the Council adopted further conclusions in relation to EPAs, endorsing the Commission's approach to the successful conclusion of negotiations, in two steps if necessary, and to improving access to the European market from 1 January 2008.

To this end, on 20 December the Council adopted a regulation <sup>(2)</sup> applying the arrangements for products originating in certain States which are part of the African, Caribbean and Pacific (ACP) Group of States provided for in agreements establishing, or leading to the establishment of, economic partnership agreements.

### *Africa*

This year witnessed a modernisation of political relations between the European Union and Africa at continental level, culminating in the establishment of a strategic partnership between the 80 Heads of State or Government at the Lisbon summit on 9 December. This key turning-point helped to raise the Africa–Europe dialogue to the highest political level by affirming the central role of the African Union as the European Union's interlocutor in Africa. This approach is the result of a long process that started in 2005 with the adoption of the European Union's strategy for Africa aimed at improving coherence in Union policies on Africa and coordination between the European Commission and the Member States.

In line with the Council conclusions of December 2006, the negotiation of the joint strategy and the organisation of a second Africa–Europe summit were among the top political priorities of the Union's external relations in 2007 and also among the priorities of the African Union, as was reiterated in the conclusions of the African Union summit held in Accra (Ghana) in July.

The joint strategy and its first action plan were the subject of negotiations between the European Union and the African Union all year long. A meeting of the European Union–Africa ministerial troika approved the proposed outline of a joint strategy to this effect on 15 May. In a communication of 27 June 'From Cairo to Lisbon — The EU–Africa strategic partnership' <sup>(3)</sup>, the Commission proposed new guidelines for relations between the two continents as a contribution to the future European Union–Africa

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<sup>(1)</sup> COM(2007) 635.

<sup>(2)</sup> Regulation (EC) No 1528/2007 (OJ L 348, 31.12.2007).

<sup>(3)</sup> COM(2007) 357 (OJ C 246, 20.10.2007).

joint strategy. This communication was followed up by a joint paper 'Beyond Lisbon: making the EU–Africa strategic partnership work' <sup>(1)</sup>.

The European Union–Africa joint strategy and its first action plan (2008–10) were approved in Accra on 31 October by the European Union–Africa ministerial troika, then by the foreign ministers of the European Union and the African Union on 5 December, before being formally adopted by the Heads of State or Government of the European Union and the African Union at the Lisbon summit of 8 and 9 December.

The European Union–Africa joint strategy offers a long-term vision of the Union's relationship with Africa and aims to enable this relationship to go 'beyond development', 'beyond Africa' and 'beyond the institutions' by establishing a framework for political dialogue between equals, involving a wide range of institutional and non-State actors, on subjects of common interest and global significance such as migration, energy and climate change. It will start with the implementation of a first action plan (2008–10) covering eight strategic partnerships: peace and security; democratic governance and human rights; trade, regional integration and infrastructure; the millennium development goals; energy; climate change; migration, mobility and employment; and science, information society and space.

In December the Commission and the Council jointly appointed the first-ever European Union Head of Delegation to the African Union, who will have the dual role of European Union Special Representative and European Commission Head of Delegation and will take up office in Addis Ababa, Ethiopia, in January 2008. This appointment testifies to the general strengthening of ties between the European Union and the African Union and to the importance for the Commission, in particular, to strengthen its relations with the African Union's Commission and other institutions.

In agriculture, the Commission adopted a communication on 24 July 'Advancing African agriculture — Proposal for continental- and regional-level cooperation on agricultural development in Africa' <sup>(2)</sup> in response to requests by various African continental organisations for areas of cooperation to be identified in the comprehensive Africa agricultural development programme (CAADP). As confirmed by the corresponding Council conclusions adopted on 20 November, the European Union intends to support agricultural development in Africa through a long-term programme of cooperation, inter alia with the African organisations responsible at regional and continental level for coordinating the CAADP. Based on seven priority areas, the Union's support will help to increase growth in the sector, in particular by improving agricultural policies and governance. Together with the German Presidency, the Commission also organised the second European forum on sustainable rural development in Berlin from 18 to 21 June which had as its theme 'Sustainable growth and poverty reduction in rural Africa — How can Europe be a more effective partner?'

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<sup>(1)</sup> SEC(2007) 856.

<sup>(2)</sup> COM(2007) 440 (OJ C 191, 17.8.2007).

At bilateral level, the European Union continued to pay very close attention to developments in the political and humanitarian situation in Sudan's Darfur region, eastern Chad and the north-eastern Central African Republic. It also kept a close watch on the human rights situation and the transition to democracy and the rule of law of countries such as Côte d'Ivoire, Nigeria, the Democratic Republic of the Congo, Somalia and Zimbabwe.

In 2007 the African Peace Facility continued to support a number of African-led peacekeeping operations, such as the African Union mission in the Darfur region of Sudan (AMIS) (approx. EUR 300 million since the start of the operation), the multinational force in the Central African Republic (a total of EUR 23.4 million) and the African Union mission in Somalia (Amisom) (EUR 15 million). The facility also contributed significantly to building African peacekeeping and security capacities at regional and subregional level (approximately EUR 35 million in total).

### *Pacific*

In a resolution adopted on 1 February <sup>(1)</sup> the European Parliament welcomed the Commission initiative announced in May 2006 <sup>(2)</sup> aimed at developing a strategy for a strengthened partnership with the Pacific islands after 30 years of cooperation. At bilateral level, in the light of the circumstances which led to power changing hands in Fiji, the Union opened consultations with the country's new rulers to clarify the situation with regard to respect for democratic principles, the rule of law and human rights.

### **Cooperation with Asia**

In March 2007 the Association of South-East Asian Nations (ASEAN) and the European Union celebrated the 30th anniversary of their partnership by endorsing a vision statement calling for closer relations at bilateral and multilateral level. Mr Solana, Secretary-General of the Council and High Representative for the CFSP, was in Manila (Philippines) from 31 July to 2 August in order to attend ASEAN's 14th regional forum.

At the Council's meeting of 23 and 24 April, negotiating directives for a draft free-trade agreement with India, South Korea and ASEAN were adopted, with the negotiations actually starting on 3 May, several rounds taking place since.

At the same time, the Council called on the Commission to open exploratory talks on the renewal or establishment of a new cooperation and partnership agreement with South Korea and India. A number of rounds of talks took place during the year.

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<sup>(1)</sup> OJ C 250 E, 25.10.2007.

<sup>(2)</sup> COM(2006) 248 (OJ C 184, 8.8.2006).

The third Asia–Europe meeting of environment ministers was held in April and focused on climate change and sustainable energy, biodiversity loss and deforestation in the context of climate change, climate change and sustainable use of energy, and the future of Europe–Asia environmental cooperation. The meeting saw the signing of a joint statement containing the two parties’ commitments on the environment.

For its efforts to support regional integration in South Asia, the European Union was granted observer status at the South Asian Association for Regional Cooperation (SAARC) and was thus able to attend the SAARC summit in New Delhi (India) on 3 and 4 April.

At bilateral level, the Council closely monitored the situation in Myanmar (Burma), as evidenced by the conclusions it adopted in April expressing concern at the serious human rights violations and the restrictions imposed on domestic and international human rights agencies, and by the common position renewing restrictive measures against the country <sup>(1)</sup>. On 21 June Parliament adopted a resolution condemning the unremitting oppression of the Burmese people by the State Peace and Development Council and its persistent persecution and imprisonment of pro-democracy activists. Parliament regretted that the foreign minister of Myanmar (Burma), Nyan Win, was permitted to attend the eighth ASEM foreign ministers meeting, only days after the military junta in Myanmar (Burma) had extended the illegal house arrest of Daw Aung San Suu Kyi for another year. In July the Council also adopted a regulation renewing the restrictive measures instituted against Myanmar (Burma) <sup>(2)</sup>. At its meeting of 15 and 16 October, the Council demanded that the Burmese authorities immediately cease all violent repression and intimidation, and called on the government to disclose information about the whereabouts of those arrested since mid-August and to allow international agencies access to them. The Council deemed it necessary to increase direct pressure on the regime through stronger measures as well as the following additional restrictive measures: an export ban on equipment intended for the logging and timber sectors or for the mining of metals, minerals, precious and semi-precious stones; an import ban on products of the above sectors; and an investment ban in these sectors. The Council confirmed the continuation of its substantial humanitarian aid programmes aimed at the most vulnerable populations of Myanmar (Burma) and Burmese refugees in neighbouring countries. It expressed its readiness to assist Myanmar (Burma) in its process of transition and its determination to continue to assist the Burmese people further on their path to democracy, security and prosperity.

In a resolution adopted on 15 February on the dialogue between the Chinese government and the envoys of the Dalai Lama <sup>(3)</sup>, Parliament commented on the situation in Tibet and called on the Commission to raise the question of Tibet and

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<sup>(1)</sup> Common Position 2007/248/CFSP (OJ L 107, 25.4.2007).

<sup>(2)</sup> Regulation (EC) No 830/2007 (OJ L 185, 17.7.2007).

<sup>(3)</sup> OJ C 287 E, 29.11.2007.

the resumption of talks between the two sides during the negotiations on the new European Union–China partnership and cooperation framework agreement.

On 24 May Parliament adopted a resolution on the present situation in Kashmir and future prospects for the region, in which it expressed its wish to strengthen bilateral relations between India and Pakistan in an effort to normalise the situation there.

The first joint commission meeting took place on the same day under the European Community–Pakistan third generation cooperation agreement. The commission, which had not met for 11 years, set up three sub-groups to address issues related to trade, development cooperation and governance, and human rights and migration.

In Bangladesh the Commission's commitment to democracy and human rights was demonstrated by sending and, when it became apparent that parliamentary elections scheduled for January 2007 would be deeply flawed, suspending the European Union election observation mission. The visit of the European Union regional directors' troika to Dhaka in June provided another key opportunity to pass messages on democracy and human rights to the caretaker government. The Commission was the largest donor to the project coordinated by the UN Development Programme to prepare a voter roll with photographs for the elections, which were postponed until the end of 2008.

### ***Cooperation with central Asia***

On 27 and 28 March the ministerial troika of the European Union and the foreign ministers of Kazakhstan, Kyrgyzstan, Tajikistan and Turkmenistan and Uzbekistan met for the first time to examine important regional issues. Discussions focused on economic and trade questions, security, education, democracy, the rule of law and human rights, energy and the environment, and regional questions such as the situations in Afghanistan and Iran. The European Union demonstrated its commitment to the region by promising to double its assistance over the period 2007–13 to a total of EUR 750 million.

At its June meeting the European Council adopted a strategy for a new partnership with central Asia in which it identified the Union's strategic interest in the region in bilateral and regional cooperation and suggested possible areas for a partnership, including sectors such as youth and education, human rights, the rule of law, governance and democratisation, economic development, trade and investment, energy and transport, and environmental sustainability and water. The strategy also covers the fight against common threats and challenges.

At bilateral level, in its conclusions of 5 March and 14 May the Council expressed serious concern at the human rights situation in Uzbekistan and reiterated the European Union's willingness to enter into a comprehensive dialogue with Uzbekistan,

in particular on human rights. On 14 May the Council adopted a common position <sup>(1)</sup> renewing visa restrictions against eight Uzbek officials that were introduced after the events in Andijan in May 2005. In its conclusions of 15 October the Council reviewed the arms embargo and the visa prohibition and decided to renew both decisions for a further year, although the application of the visa prohibition was suspended for the following six months.

The President of Turkmenistan, Mr Kurbanguly Berdymukhamedov, visited Brussels from 5 to 7 November where he met President Barroso, Ms Ferrero-Waldner, Mr Mandelson and Mr Piebalgs for talks that focused mainly on key issues in European Union–Turkmenistan relations, e.g. strengthening cooperation, including through the opening of the Europa House in Ashgabat, moving from the existing cooperation and trade agreement to a partnership and cooperation agreement between the Union and Turkmenistan and strengthening bilateral cooperation on energy by means of a memorandum of understanding. The European Union–Turkmenistan Joint Committee met on 17 September and reviewed issues such as the priorities for Turkmenistan under the central Asia strategy, energy cooperation, European Community assistance and human rights.

The European Union–Kazakhstan Cooperation Council met in Brussels on 12 February to review and discuss the bilateral relations agenda. The first session of the dialogue under the memorandum of understanding on energy cooperation between the Union and Kazakhstan took place in Astana on 10 July. In December the European Union–Kazakhstan Cooperation Committee met in Brussels, where the main topics for discussion were implementation of the strategy and the priorities for Kazakhstan. Throughout the year the Commission maintained the dialogue with the Kazakh authorities on Kazakhstan’s accession to the World Trade Organisation and on progress on the trans-Caspian energy project.

The European Union–Kyrgyzstan Cooperation Council met in Brussels on 13 February and examined political reforms in Kyrgyzstan, the rule of law and human rights, regional trade and economic cooperation in central Asia, environmental questions related to transport, and justice and home affairs. An agreement between the European Community and Kyrgyzstan on certain aspects of air services was signed on 1 June.

The seventh joint committee meeting between the European Union and Tajikistan took place in Brussels in December. Various issues were raised in the context of the Union’s strategy on central Asia, including the specific priorities for Tajikistan, such as technical advice on the development of the hydroelectricity sector with a view to improving the domestic energy supply and energy exports. Discussions also took place on trade issues, improving the investment climate, and existing and future

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(1) Common Position 2007/338/CFSP (OJ L 128, 16.5.2007).

development projects covering areas such as support for the democratisation process, human rights and the rule of law, and tackling poverty.

### ***Financial cooperation***

Overall, one of the main concerns of the European Union in 2007 was the promotion of sustainable economic and social development and the eradication of poverty, in particular by supporting social sector reform and by means of the regional development plans for the Asia and central Asia regions.

The Community provided support to the health sector in Afghanistan, Bangladesh, India Myanmar (Burma) and the Philippines. At regional level, support was provided for the prevention of avian influenza and for tackling infectious diseases. Poverty elimination also encompassed food security measures in Afghanistan, Bangladesh, Cambodia, Laos, North Korea, Kyrgyzstan and Tajikistan, and aid to uprooted people in Afghanistan, Bangladesh, Indonesia, Myanmar (Burma), Nepal, the Philippines and Thailand.

There was support for the education sector in Bangladesh, Cambodia, Indonesia, Pakistan and Vietnam. Kazakhstan, Kyrgyzstan, Myanmar (Burma), Nepal, Pakistan and Turkmenistan will also receive aid under new programmes that started in 2007. Asian and central Asian countries are already eligible for the Erasmus Mundus regional programmes and will also be eligible for the Tempus IV higher education programme.

Strengthening governance, including public finance management, reform and economic transition, was also a major focus of Community assistance to the region, particularly for Afghanistan, but also for Cambodia, China, Laos and Sri Lanka. New programmes also started in 2007 with the aim of strengthening governance in Afghanistan, Bangladesh, Indonesia, Laos and Vietnam.

In 2007 the European Union supported the implementation of partnership and cooperation agreements with all the countries of the central Asia region aimed at facilitating transition and poverty reduction. The Commission has initiated consultations with the Member States on the implementation of the new partnership for central Asia adopted in June.

Asian countries will benefit from multi-country cooperation programmes, notably in the energy, transport, education and environment sectors. Preparatory measures were launched in 2007 that will lead to future cooperation with China and India on trade, science and technology. This year marked a key stage for European Community cooperation with Asia and central Asia on the environment, energy and climate change.

### ***Cooperation with Latin America***

The new regulation on the financing instrument for development cooperation (DCI), which entered into force on 1 January, has as its general objectives the eradication of

poverty and achieving the millennium development goals. The more specific objectives for Latin America include social cohesion, education, regional integration and sustainable development. During 2007 the Commission committed EUR 340 million to development cooperation programmes under the DCI regulation, the country strategy papers and the regional programming documents for the period 2007–13. This total was spread over 17 annual action programmes comprising 36 individual actions for the whole of Latin America: two at regional level, two at sub-regional level and 13 at bilateral level. The main sectors of intervention were education and culture, which accounted for eight actions, social cohesion and inclusion with six actions, modernisation of the State and State institutions with six actions and economic sector support with four actions.

On 19 and 20 April a ministerial meeting was held in Santo Domingo (Dominican Republic) between the European Union and the Rio Group, a forum for the countries of Latin America and the Caribbean. Discussions covered Haiti, energy, the environment and climate change, the strengthening of multilateralism (notably in the fields of human rights and drugs), middle-income countries, the fight against poverty, and the future of relations between the Union and the Rio Group.

Negotiations on association agreements were opened with the Andean Community on 14 June and with central America on 28 and 29 June. The first series of negotiations took place in September in Colombia and in October in Costa Rica. A second round with the Andean Community was held from 10 to 14 December in Brussels. The future agreements concern political dialogue between the two parties, the strengthening of cooperation and the facilitation of their economic relations, in particular as regards preferential trade and the free-trade agreement.

A forum on social cohesion was held in Santiago, Chile, from 23 to 25 September in advance of the European Union–Latin America and Caribbean summit in order to promote dialogue and cooperation between the two regions on equality, poverty eradication and social inclusion. A European Union–Latin America and Caribbean forum of local government representatives was held in Paris on 29 and 30 November, at which a decentralised cooperation dimension was added to the bi-regional dialogue.

On 30 May the Commission adopted a communication 'Towards an EU–Brazil strategic partnership' <sup>(1)</sup> ahead of the first European Union–Brazil summit on 4 July. During the summit, which was held in Lisbon, a new strategic partnership was established between the European Union and Brazil, based on their close historical, cultural and economic ties. Both sides reaffirmed their commitment to strengthening political dialogue at bi-regional level and on sectoral policies, e.g. maritime transport, science and technology, information society, energy and education. They agreed on the need

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<sup>(1)</sup> COM(2007) 281 (OJ C 191, 17.8.2007).

to identify and promote common strategies to tackle global challenges, and that the best way to deal with global issues was through effective multilateralism, placing the UN system at its centre. Both sides also attached great importance to strengthening European Union–Mercosur relations and were committed to concluding the European Union–Mercosur association agreement. President Lula’s first visit to the Commission on 5 July confirmed the start of a new phase in relations between the Union and Brazil.

At the third meeting of the European Union–Chile Association Council in Brussels on 24 July, Ms Ferrero-Waldner and Mr Alejandro Foxley, the Chilean foreign affairs minister, signed the European Union cooperation programme with Chile for the period 2007–13, with a budget of EUR 41 million. The programme will focus on three key sectors: social cohesion, higher education, and innovation and competitiveness.

The regular meeting of the European Union–Mexico Joint Committee took place on 26 and 27 November in the framework of the existing association agreements.

A second memorandum of understanding between the European Community and the Inter-America Development Bank was signed on 19 November.

### ***Gulf States, Iran, Yemen***

On 8 May the eighth Joint Cooperation Council with the Gulf Cooperation Council (GCC) took place in Riyadh (Saudi Arabia). Discussions covered the ongoing negotiations on the free-trade agreement, EU–GCC cooperation, policy issues of common interest and the regional situation. Talks continued during the EU–GCC ministerial troika meeting at the United Nations General Assembly on 25 September in New York.

Developments concerning Iran’s nuclear facilities were the subject of close attention and subsequent action on the part of the European Union. On 23 February the Council adopted a common position establishing restrictive measures against Iran <sup>(1)</sup>, in accordance with UN Security Council Resolution 1737 (2006), with the aim of persuading Iran to suspend proliferation-sensitive nuclear activities without further delay. The implementation of the restrictive measures (ban on the supply of goods, technologies and technical or financial assistance, freezing of the assets of persons or entities listed in the resolution) was the subject of a Council regulation on 19 April <sup>(2)</sup>. The common position and the regulation were subsequently amended in order to add the additional restrictive measures adopted under Security Council Resolution 1747 (2007).

The fourth political dialogue meeting with Yemen was held on 25 October in Brussels, covering reforms undertaken by the Yemeni government, human rights, security and the regional geopolitical situation.

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<sup>(1)</sup> Common Position 2007/140/CFSP (OJ L 61, 28.2.2007).

<sup>(2)</sup> Regulation (EC) No 423/2007 (OJ L 103, 20.4.2007).

The European Union continued to take diplomatic steps to draw attention to human rights violations.

The Union launched a new Erasmus Mundus programme designed to strengthen ties between European, Iranian, Iraqi and Yemeni universities. The European Union also supported a number of projects in the area of anti-drugs cooperation; six such projects are under way in Iran, representing an amount of EUR 5.2 million. Three of these projects are jointly run with the United Nations.

### **General references and other useful links**

- Directorate-General for External Relations:  
[http://ec.europa.eu/external\\_relations/index.htm](http://ec.europa.eu/external_relations/index.htm)
- EuropeAid Co-operation Office:  
[http://ec.europa.eu/europeaid/index\\_en.htm](http://ec.europa.eu/europeaid/index_en.htm)
- External cooperation programmes:  
[http://ec.europa.eu/europeaid/where/worldwide/index\\_en.htm](http://ec.europa.eu/europeaid/where/worldwide/index_en.htm)
- Human rights:  
[http://ec.europa.eu/external\\_relations/human\\_rights/intro/index.htm](http://ec.europa.eu/external_relations/human_rights/intro/index.htm)
- Election assistance and observation strategy  
[http://ec.europa.eu/external\\_relations/human\\_rights/eu\\_election\\_ass\\_observ/index.htm](http://ec.europa.eu/external_relations/human_rights/eu_election_ass_observ/index.htm)
- Promoting democracy and human rights  
[http://ec.europa.eu/europeaid/where/worldwide/eidhr/index\\_en.htm](http://ec.europa.eu/europeaid/where/worldwide/eidhr/index_en.htm)
- European Union human rights policy  
<http://www.consilium.europa.eu/showPage.asp?lang=en&id=822&mode=g&name=http://www.europarl.europa.eu/comparl/afet/droi/default.htm>
- Development cooperation and the Directorate-General for Development:  
[http://ec.europa.eu/development/index\\_en.cfm](http://ec.europa.eu/development/index_en.cfm)
- Millenium development goals:  
<http://www.un.org/millenniumgoals/index.html>
- Thematic strategy on environment and management of natural resources  
[http://ec.europa.eu/development/policies/9interventionareas/environment/funding/funding\\_en.cfm](http://ec.europa.eu/development/policies/9interventionareas/environment/funding/funding_en.cfm)
- Directorate-General for Humanitarian Aid (ECHO):  
[http://ec.europa.eu/echo/index\\_en.htm](http://ec.europa.eu/echo/index_en.htm)
- Assessment of humanitarian needs and identification of forgotten crises  
[http://ec.europa.eu/echo/pdf\\_files/strategic\\_methodologies/methodology\\_2007\\_en.pdf](http://ec.europa.eu/echo/pdf_files/strategic_methodologies/methodology_2007_en.pdf)
- Relations with ACP countries:  
[http://www.acpsec.org/index\\_e.htm](http://www.acpsec.org/index_e.htm)
- Cotonou Partnership Agreement:  
[http://ec.europa.eu/development/geographical/cotonouintro\\_en.cfm#](http://ec.europa.eu/development/geographical/cotonouintro_en.cfm#)
- Relations with Mediterranean countries:  
[http://ec.europa.eu/external\\_relations/med\\_mideast/intro/index.htm](http://ec.europa.eu/external_relations/med_mideast/intro/index.htm)
- Relations with Asia:  
[http://ec.europa.eu/external\\_relations/asia/index.htm](http://ec.europa.eu/external_relations/asia/index.htm)  
[http://ec.europa.eu/europeaid/where/asia/index\\_en.htm](http://ec.europa.eu/europeaid/where/asia/index_en.htm)
- Relations with Latin America:  
[http://ec.europa.eu/external\\_relations/la/index.htm](http://ec.europa.eu/external_relations/la/index.htm)  
[http://ec.europa.eu/europeaid/where/latin-america/index\\_en.htm](http://ec.europa.eu/europeaid/where/latin-america/index_en.htm)

*Section 4*

## Contributing to security in the world

### Common foreign and security policy

#### **General**

The European Union continued to enhance the visibility and effectiveness of its external action throughout the year, strengthening coherence and synergies so as to achieve its objectives in all external fields, including security policy, trade, development aid and conflict prevention.

It pursued its objective of effective multilateralism not only through support to peace and reconstruction processes, but by mobilising the range of external relations instruments for civilian missions ('rule-of-law' missions) and military operations.

The year 2007 was also the first year of implementation of the Instrument for Stability <sup>(1)</sup> (which replaced the Rapid Reaction Mechanism). Allocated EUR 93 million out of a total budget of EUR 140 million for 2007, its main component is used to manage crisis response measures lasting over a period of 18 months. The Instrument for Stability encompasses a wide panoply of actions to support mediation and confidence-building measures, the establishment and functioning of interim administrations, transitional justice arrangements, civilian measures related to the demobilisation and reintegration of former combatants, as well as rehabilitation of infrastructure and disaster response.

Four new operations were launched in 2007 under the European security and defence policy: the police mission to Afghanistan (EUPOL Afghanistan); the police and security missions to the Democratic Republic of the Congo (EUPOL RD Congo); the European Union planning team (EUPT Kosovo) for a possible future police operation in Kosovo; and the European Union military operation in Chad and the Central African Republic (EUFOR Tchad/RCA). The Commission continued to manage the budgetary aspects of civilian operations financed under the common foreign and security policy (CFSP) budget.

On 29 January the High Representative, Mr Solana, appointed Mr Matthiessen as his personal representative to the European Parliament in the CFSP field and Ms Kionka as his personal representative for human rights. On 23 April Mr Solana addressed the conference of defence committee chairpersons of the national parliaments of the Member States in Berlin, where he welcomed their regular meetings to discuss issues linked to the European security and defence policy.

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<sup>(1)</sup> Regulation (EC) No 1717/2006 (OJ L 327, 24.11.2006).

On 17 June the Council approved a report from the Presidency on Union activities in the area of conflict prevention. The report includes recommendations based on experience acquired in the areas of early warning, planning, use of Union instruments and cooperation with partners.

The new Treaty of Lisbon adopted by the Heads of State or Government on 13 December <sup>(1)</sup> introduced improvements as regards the efficiency and democratic legitimacy of the enlarged Union, and for the coherence of its external action. It also provides for the appointment of a High Representative for the CFSP, who will also be a Vice-President of the Commission and be supported by a European external action service.

The common foreign and security policy has all the Union's policy instruments at its disposal and is increasingly integrated into the strategic objectives of the Union as regards long-term development and the eradication of poverty. The Council adopted conclusions to that effect at its meeting of 19 and 20 November concerning the Union's response to situations of fragility and the link between security and development.

### ***Implementation of the common foreign and security policy***

On 18 September the Council approved an update to the guidelines on the appointment, mandate and financing of European Union special representatives to specify that their tenure of office may not as a general rule exceed four years, strengthen the evaluation process, reinforce the role of the representatives in the promotion of political coordination and seek to achieve a gender balance.

On the same day the Council adopted negotiating directives authorising the Presidency, assisted where necessary by the Secretary-General/High Representative for the Common Foreign and Security Policy (CFSP), in the event of future European Union military crisis management operations to open negotiations with host States with a view to concluding agreements on the status of the European Union-led forces on the basis of the revised model agreement.

The joint actions and common positions adopted by the Council in implementing the CSFP during the year concerned:

- in the Balkans:
  - extension and amendment of Common Position 2004/133/CFSP on restrictive measures against extremists in the former Yugoslav Republic of Macedonia <sup>(2)</sup>;
  - amendment and extension of the mandate of the European Union special representative in Bosnia and Herzegovina <sup>(3)</sup>;

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<sup>(1)</sup> See 'Reform of the Treaties' in Chapter 1, Section 3, of this Report.

<sup>(2)</sup> Common Position 2007/86/CFSP (OJ L 35, 8.2.2007).

<sup>(3)</sup> Joint Action 2007/87/CFSP (OJ L 35, 8.2.2007).

- appointment of Mr Miroslav Lajčák as the European Union special representative in Bosnia and Herzegovina <sup>(1)</sup>;
- amendment and extension of the mandate of the European Union special representative in the former Yugoslav Republic of Macedonia <sup>(2)</sup>;
- renewal of measures in support of the effective implementation of the mandate of the International Criminal Tribunal for the former Yugoslavia <sup>(3)</sup>;
- implementation of Common Position 2004/293/CFSP renewing measures in support of the effective implementation of the mandate of the International Criminal Tribunal for the former Yugoslavia <sup>(4)</sup>;
- extension of the mandate of the European Union team to contribute to the preparations of the establishment of a possible international civilian mission in Kosovo, including a European Union special representative component (ICM/EUSR Preparation Team) <sup>(5)</sup>;
- amendment and extension of Joint Action 2006/304/CFSP on the establishment of a European Union planning team (EUPT Kosovo) regarding a possible European Union crisis management operation in the field of rule of law and possible other areas in Kosovo <sup>(6)</sup> <sup>(7)</sup>;
- amendment and extension of Joint Action 2006/623/CFSP on the establishment of a European Union team to contribute to the preparations of the establishment of a possible international civilian mission in Kosovo, including a European Union special representative component (ICM/EUSR preparation team) <sup>(8)</sup> <sup>(9)</sup>;
- amendment of Joint Action 2002/921/CFSP extending the mandate of the European Union monitoring mission <sup>(10)</sup>;
- extension of Common Position 2004/694/CFSP on further measures in support of the effective implementation of the mandate of the International Criminal Tribunal for the former Yugoslavia <sup>(11)</sup>;
- appointment of a European Union force commander for the European Union military operation in Bosnia and Herzegovina <sup>(12)</sup>;
- amendment of Joint Action 2004/570/CFSP on the European Union military operation in Bosnia and Herzegovina <sup>(13)</sup>;

<sup>(1)</sup> Decision 2007/427/CFSP (OJ L 159, 20.6.2007).

<sup>(2)</sup> Joint Action 2007/109/CFSP (OJ L 46, 16.2.2007).

<sup>(3)</sup> Common Position 2007/150/CFSP (OJ L 66, 6.3.2007).

<sup>(4)</sup> Decision 2007/521/CFSP (OJ L 192, 24.7.2007).

<sup>(5)</sup> Joint Action 2007/203/CFSP (OJ L 90, 30.3.2007).

<sup>(6)</sup> Joint Action 2007/520/CFSP (OJ L 192, 24.7.2007).

<sup>(7)</sup> Joint Action 2007/778/CFSP (OJ L 312, 30.11.2007).

<sup>(8)</sup> Joint Action 2007/517/CFSP (OJ L 190, 21.7.2007).

<sup>(9)</sup> Joint Action 2007/744/CFSP (OJ L 301, 20.11.2007).

<sup>(10)</sup> Joint Action 2007/40/CFSP (OJ L 17, 24.1.2007).

<sup>(11)</sup> Common Position 2007/635/CFSP (OJ L 256, 2.10.2007).

<sup>(12)</sup> Act 2007/711/CFSP; Political and Security Committee Decision BiH/11/2007 (OJ L 288, 6.11.2007).

<sup>(13)</sup> Joint Action 2007/720/CFSP (OJ L 291, 9.11.2007).

- appointment of an operation commander for the European Union military operation in Bosnia and Herzegovina <sup>(1)</sup>;
- appointment of the Head of the European Union command element at Naples for the European Union military operation in Bosnia and Herzegovina <sup>(2)</sup>;
- amendment of Joint Action 2007/87/CFSP amending and extending the mandate of the European Union special representative in Bosnia and Herzegovina <sup>(3)</sup>;
- extension of the European Union police mission in Bosnia and Herzegovina <sup>(4)</sup>;
- implementation of Joint Action 2007/749/CFSP on the European Union police mission in Bosnia and Herzegovina <sup>(5)</sup>;
- appointment of the head of mission/police commissioner of the European Union police mission in Bosnia and Herzegovina <sup>(6)</sup>;
- appointment of the head of the European Union planning team (EUPT Kosovo) <sup>(7)</sup>;
- in the south Caucasus:
  - amendment and extension of the mandate of the European Union special representative for the south Caucasus <sup>(8)</sup>;
  - extension of Joint Action 2006/439/CFSP regarding a further contribution of the European Union to the conflict settlement process in Georgia/South Ossetia <sup>(9)</sup>;
- in central Asia:
  - renewal of certain restrictive measures against Uzbekistan <sup>(10)</sup>;
  - restrictive measures against Uzbekistan <sup>(11)</sup>;
  - amendment of Joint Action 2007/113/CFSP amending and extending the mandate of the European Union special representative for central Asia <sup>(12)</sup>;
- in Asia:
  - extension of the mandate of the special representative of the European Union for Afghanistan <sup>(13)</sup>;

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<sup>(1)</sup> Act 2007/724/CFSP; Political and Security Committee Decision BiH/10/2007 (OJ L 293, 10.11.2007).

<sup>(2)</sup> Act 2007/725/CFSP; Political and Security Committee Decision BiH/12/2007 (OJ L 293, 10.11.2007).

<sup>(3)</sup> Joint Action 2007/748/CFSP (OJ L 303, 21.11.2007).

<sup>(4)</sup> Joint Action 2007/749/CFSP (OJ L 303, 21.11.2007).

<sup>(5)</sup> Decision 2007/791/CFSP (OJ L 317, 5.12.2007).

<sup>(6)</sup> Political and Security Committee Decision EUPM/3/2007 (OJ L 329, 14.12.2007).

<sup>(7)</sup> Act 2007/888/CFSP; Political and Security Committee Decision EUPT/2/2007 (OJ L 346, 29.12.2007).

<sup>(8)</sup> Joint Action 2007/111/CFSP (OJ L 46, 16.2.2007).

<sup>(9)</sup> Joint Action 2007/484/CFSP (OJ L 181, 11.7.2007).

<sup>(10)</sup> Common Position 2007/338/CFSP (OJ L 128, 16.5.2007).

<sup>(11)</sup> Common Position 2007/734/CFSP (OJ L 295, 14.11.2007).

<sup>(12)</sup> Joint Action 2007/634/CFSP (OJ L 256, 2.10.2007).

<sup>(13)</sup> Joint Action 2007/106/CFSP (OJ L 46, 16.2.2007).

- renewal of restrictive measures against Myanmar (Burma) <sup>(1)</sup>;
- establishment of the European Union police mission in Afghanistan (EUPOL Afghanistan) <sup>(2)</sup>;
- conclusion of an agreement between the European Union and the Republic of Croatia on the participation of the Republic of Croatia in the European Union police mission in Afghanistan (EUPOL Afghanistan) <sup>(3)</sup>;
- conclusion of an agreement between the European Union and New Zealand on the participation of New Zealand in the European Union police mission in Afghanistan (EUPOL Afghanistan) <sup>(4)</sup>;
- appointment of the head of mission of EUPOL Afghanistan <sup>(5)</sup>;
- amendment of Joint Action 2007/106/CFSP extending the mandate of the European Union special representative in Afghanistan <sup>(6)</sup>;
- amendment of Joint Action 2007/369/CFSP on the establishment of the European Union police mission in Afghanistan (EUPOL Afghanistan) <sup>(7)</sup>;
- participation by the European Union in the Korean Peninsula Energy Development Organisation (KEDO) <sup>(8)</sup>;
- amendment of Common Position 2006/318/CFSP renewing restrictive measures against Myanmar (Burma) <sup>(9)</sup>;
- establishment of the Committee of Contributors for the European Union police mission in Afghanistan (EUPOL Afghanistan) <sup>(10)</sup>;
- in Africa:
  - renewal of the restrictive measures imposed against Côte d'Ivoire <sup>(11)</sup> <sup>(12)</sup>;
  - amendment and renewal of Common Position 2004/137/CFSP concerning the restrictive measures imposed against Liberia <sup>(13)</sup>;
  - amendment of Common Position 2002/960/CFSP concerning restrictive measures against Somalia <sup>(14)</sup>;

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<sup>(1)</sup> Common Position 2007/248/CFSP (OJ L 107, 25.4.2007).

<sup>(2)</sup> Joint Action 2007/369/CFSP (OJ L 139, 31.5.2007).

<sup>(3)</sup> Decision 2007/665/CFSP (OJ L 270, 13.10.2007).

<sup>(4)</sup> Decision 2007/670/CFSP (OJ L 274, 18.10.2007).

<sup>(5)</sup> Act 2007/685/CFSP; Political and Security Committee Decision EUPOL AFG/1/2007 (OJ L 281, 25.10.2007).

<sup>(6)</sup> Joint Action 2007/732/CFSP (OJ L 295, 14.11.2007).

<sup>(7)</sup> Joint Action 2007/733/CFSP (OJ L 295, 14.11.2007).

<sup>(8)</sup> Common Position 2007/762/CFSP (OJ L 305, 23.11.2007).

<sup>(9)</sup> Common Position 2007/750/CFSP (OJ L 308, 24.11.2007).

<sup>(10)</sup> Act 2007/886/CFSP; Political and Security Committee Decision EUPOL AFGH/2/2007 (OJ L 346, 29.12.2007).

<sup>(11)</sup> Common Position 2007/92/CFSP (OJ L 41, 13.2.2007).

<sup>(12)</sup> Common Position 2007/761/CFSP (OJ L 305, 23.11.2007).

<sup>(13)</sup> Common Position 2007/93/CFSP (OJ L 41, 13.2.2007).

<sup>(14)</sup> Common Position 2007/94/CFSP (OJ L 41, 13.2.2007).

- extension of the mandate of the European Union special representative for Sudan <sup>(1)</sup>;
- appointment of the European Union special representative for the African Great Lakes Region <sup>(2)</sup>;
- renewal of restrictive measures against Zimbabwe <sup>(3)</sup>;
- repeal of Joint Action 2006/319/CFSP on the European Union military operation in support of the United Nations Organisation mission in the Democratic Republic of the Congo (MONUC) during the election process <sup>(4)</sup>;
- amendment of Joint Action 2005/355/CFSP on the European Union mission to provide advice and assistance for security sector reform in the Democratic Republic of the Congo <sup>(5)</sup>;
- implementation of Common Position 2004/161/CFSP renewing restrictive measures against Zimbabwe <sup>(6)</sup>;
- appointment of the European Union special representative for Sudan <sup>(7)</sup>;
- implementation of Joint Action 2005/557/CFSP on the European Union civilian–military supporting action to the African Union mission in the Darfur region of Sudan <sup>(8)</sup>;
- amendment of Joint Action 2005/557/CFSP on the European Union civilian–military supporting action to the African Union mission in the Darfur region of Sudan with regard to the inclusion of a military support element providing assistance to the setting-up of the African Union mission in Somalia (Amisom) <sup>(9)</sup>;
- amendment of Common Position 2002/960/CFSP concerning restrictive measures against Somalia <sup>(10)</sup>;
- lifting of certain restrictive measures imposed against Liberia <sup>(11)</sup>;
- the European Union police mission undertaken in the framework of reform of the security sector (SSR) and its interface with the system of justice in the Democratic Republic of the Congo (EUPOL RD Congo) <sup>(12)</sup>;
- the European Union mission to provide advice and assistance for security sector reform in the Democratic Republic of the Congo (EUSEC RD Congo) <sup>(13)</sup>;

<sup>(1)</sup> Joint Action 2007/108/CFSP (OJ L 46, 16.2.2007).

<sup>(2)</sup> Joint Action 2007/112/CFSP (OJ L 46, 16.2.2007).

<sup>(3)</sup> Common Position 2007/120/CFSP (OJ L 51, 20.2.2007).

<sup>(4)</sup> Joint Action 2007/147/CFSP (OJ L 64, 2.3.2007).

<sup>(5)</sup> Joint Action 2007/192/CFSP (OJ L 87, 28.3.2007).

<sup>(6)</sup> Decision 2007/235/CFSP (OJ L 101, 18.4.2007).

<sup>(7)</sup> Decision 2007/238/CFSP (OJ L 103, 20.4.2007).

<sup>(8)</sup> Decision 2007/244/CFSP (OJ L 106, 24.4.2007).

<sup>(9)</sup> Joint Action 2007/245/CFSP (OJ L 106, 24.4.2007).

<sup>(10)</sup> Common Position 2007/391/CFSP (OJ L 146, 8.6.2007).

<sup>(11)</sup> Common Position 2007/400/CFSP (OJ L 150, 12.6.2007).

<sup>(12)</sup> Joint Action 2007/405/CFSP (OJ L 151, 13.6.2007).

<sup>(13)</sup> Joint Action 2007/406/CFSP (OJ L 151, 13.6.2007).

- amendment of Common Position 2005/440/CFSP concerning restrictive measures against the Democratic Republic of the Congo <sup>(1)</sup>;
- the European Union military operation in the Republic of Chad and in the Central African Republic <sup>(2)</sup>;
- implementing Joint Action 2005/557/CFSP on the European Union civilian–military supporting action to the African Union missions in the Darfur region of Sudan and in Somalia <sup>(3)</sup>;
- amendment of Joint Action 2007/108/CFSP extending the mandate of the European Union special representative for Sudan <sup>(4)</sup>;
- appointment of a European Union special representative to the African Union <sup>(5)</sup>;
- repeal of Joint Action 2005/557/CFSP on the European Union civilian–military supporting action to the African Union missions in the Darfur region of Sudan and in Somalia <sup>(6)</sup>;
- in the Middle East:
  - extension and amendment of the mandate of the European Union special representative for the Middle East peace process <sup>(7)</sup>;
  - restrictive measures against Iran <sup>(8)</sup>;
  - amendment of Common Position 2007/140/CFSP concerning restrictive measures against Iran <sup>(9)</sup>;
  - amendment and extension of Joint Action 2005/889/CFSP on establishing a European Union border assistance mission for the Rafah crossing point (EU BAM Rafah) <sup>(10)</sup>;
  - the temporary reception by Member States of the European Union of certain Palestinians <sup>(11)</sup>;
  - extension of the mandate of the head of mission/police commissioner of the European Union police mission for the Palestinian Territories (EUPOL COPPS) <sup>(12)</sup>;

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<sup>(1)</sup> Common Position 2007/654/CFSP (OJ L 264, 10.10.2007).

<sup>(2)</sup> Joint Action 2007/677/CFSP (OJ L 279, 23.10.2007).

<sup>(3)</sup> Decision 2007/690/CFSP (OJ L 282, 26.10.2007).

<sup>(4)</sup> Joint Action 2007/809/CFSP (OJ L 323, 8.12.2007).

<sup>(5)</sup> Joint Action 2007/805/CFSP (OJ L 323, 8.12.2007).

<sup>(6)</sup> Joint Action 2007/887/CFSP (OJ L 346, 29.12.2007).

<sup>(7)</sup> Joint Action 2007/110/CFSP (OJ L 46, 16.2.2007).

<sup>(8)</sup> Common Position 2007/140/CFSP (OJ L 61, 28.2.2007).

<sup>(9)</sup> Common Position 2007/246/CFSP (OJ L 106, 24.4.2007).

<sup>(10)</sup> Joint Action 2007/359/CFSP (OJ L 133, 25.5.2007).

<sup>(11)</sup> Common Position 2007/705/CFSP (OJ L 285, 31.10.2007).

<sup>(12)</sup> Act 2007/737/CFSP; Political and Security Committee Decision EUPOL COPPS/1/2007 (OJ L 298, 16.11.2007).

- amendment and extension of Joint Action 2005/190/CFSP on the European Union integrated rule of law mission for Iraq, Eujust LEX <sup>(1)</sup>;
- amendment of Joint Action 2005/797/CFSP on the European Union police mission for the Palestinian Territories <sup>(2)</sup>;
- amendment of Joint Action 2005/889/CFSP on establishing a European Union border assistance mission for the Rafah crossing point (EU BAM Rafah) <sup>(3)</sup>;
- amendment of Decision 2006/807/CFSP on the European Union police mission for the Palestinian Territories <sup>(4)</sup>;
- in eastern Europe:
  - appointment of the European Union special representative for the Republic of Moldova <sup>(5)</sup>;
  - extension and amendment of Common Position 2004/179/CFSP concerning restrictive measures against the leadership of the Transnistrian region of the Republic of Moldova <sup>(6)</sup>;
  - renewal of restrictive measures against certain officials of Belarus <sup>(7)</sup>;
- other subjects and regions:
  - the update of Common Position 2001/931/CFSP on the application of specific measures to combat terrorism <sup>(8)</sup>;
  - implementation of the European Union strategy for combating terrorism and of the strategy for combating radicalisation and recruitment to terrorism <sup>(9)</sup>;
  - support for the universalisation of the 16 United Nations conventions and protocols against terrorism and support for the conclusion of a comprehensive convention on international terrorism within the UN framework;
  - amendment of Decision 2004/197/CFSP establishing a mechanism to administer the financing of the common costs of European Union operations having military or defence implications (Athena) <sup>(10)</sup>;
  - support for chemical weapons destruction in the Russian Federation in the framework of the European Union strategy against proliferation of weapons of mass destruction <sup>(11)</sup>;

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<sup>(1)</sup> Joint Action 2007/760/CFSP (OJ L 305, 23.11.2007).

<sup>(2)</sup> Joint Action 2007/806/CFSP (OJ L 323, 8.12.2007).

<sup>(3)</sup> Joint Action 2007/807/CFSP (OJ L 323, 8.12.2007).

<sup>(4)</sup> Decision 2007/808/CFSP (OJ L 323, 8.12.2007).

<sup>(5)</sup> Joint Action 2007/107/CFSP (OJ L 46, 16.2.2007).

<sup>(6)</sup> Common Position 2007/121/CFSP (OJ L 51, 20.2.2007).

<sup>(7)</sup> Common Position 2007/173/CFSP (OJ L 79, 20.3.2007).

<sup>(8)</sup> Common Position 2007/871/CFSP (OJ L 340, 22.12.2007).

<sup>(9)</sup> COM(2007) 649 and COM(2007) 681 (OJ C 9, 15.1.2008).

<sup>(10)</sup> Decision 2007/91/CFSP (OJ L 41, 13.2.2007).

<sup>(11)</sup> Joint Action 2007/178/CFSP (OJ L 81, 22.3.2007).

- support for Organisation for the Prohibition of Chemical Weapons activities in the framework of the implementation of the European Union strategy against proliferation of weapons of mass destruction <sup>(1)</sup>;
- establishment of a mechanism to administer the financing of the common costs of European Union operations having military or defence implications (Athena) (codified version) <sup>(2)</sup>;
- support for the convention on prohibitions or restrictions on the use of certain conventional weapons which may be deemed to be excessively injurious or to have indiscriminate effects, in the framework of the European security strategy <sup>(3)</sup>;
- support for International Atomic Energy Agency monitoring and verification activities in the Democratic People's Republic of Korea in the framework of the implementation of the European Union strategy against proliferation of weapons of mass destruction <sup>(4)</sup>;
- the update of Common Position 2001/931/CFSP on the application of specific measures to combat terrorism and repealing Common Position 2007/448/CFSP <sup>(5)</sup>.

## **European security strategy and European security and defence policy**

### ***European Defence Agency***

On 18 September the Council adopted a decision on the financial rules of the European Defence Agency (EDA) and on the procurement rules and rules on financial contributions from the EDA operational budget <sup>(6)</sup>.

### ***Crisis management***

Significant progress was achieved in 2007 in coordinating crisis response. The Commission issued instructions to heads of delegation on practical measures for facilitating coordination in the field between Commission departments and with Member States and international organisations during the acute stage of crises, and set up a network of 'crisis' correspondents in the delegations. A study group on the Commission's role in crisis response was also set up in July with a remit that includes operational coordination. It deals with the study of past crisis scenarios so as to identify the strengths and weaknesses of the response.

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<sup>(1)</sup> Joint Action 2007/185/CFSP (OJ L 85, 27.3.2007).

<sup>(2)</sup> Decision 2007/384/CFSP (OJ L 152, 13.6.2007).

<sup>(3)</sup> Joint Action 2007/528/CFSP (OJ L 194, 26.7.2007).

<sup>(4)</sup> Joint Action 2007/753/CFSP (OJ L 304, 22.11.2007).

<sup>(5)</sup> Common Position 2007/871/CFSP (OJ L 340, 22.12.2007).

<sup>(6)</sup> Decision 2007/643/CFSP (OJ L 269, 12.10.2007).

Issues relating to the Union's response to crises were the subject of a high-level conference on the theme 'From early warning to early action — Developing the European Union's response to crisis and longer-term threats' on 12 and 13 November.

### ***Non-proliferation***

In a resolution adopted on 18 January <sup>(1)</sup>, the European Parliament regretted that no steps had been taken to adopt the European Union code of conduct on arms exports as a common position despite the fact that a text had been agreed in June 2005.

On 14 March Parliament called on the international community to promote initiatives towards an international multilateral process of uranium enrichment under the control of the International Atomic Energy Agency <sup>(2)</sup>.

On 17 June the Council noted the start of work on the elaboration of a legally binding international arms trade treaty and endorsed a progress report on implementation of the European strategy against proliferation of weapons of mass destruction, adopted by the European Council in December 2003.

With the adoption of Joint Action 2007/185/CFSP on 19 March <sup>(3)</sup>, the Union supported the activities of the Organisation for the Prohibition of Chemical Weapons by funding seven projects in the framework of the implementation of the European Union strategy against proliferation of weapons of mass destruction.

On 14 May the Council adopted a mechanism to administer the financing of the common costs of European Union operations having military or defence implications (Athena) <sup>(4)</sup>. The decision codifies the original decision of 23 February 2004 establishing Athena, notably in the light of subsequent amendments to that decision.

On 19 June the Council approved a report on the implementation of the European strategy against the accumulation and trafficking of small arms and light weapons and ammunition. It welcomed the significant progress made by the European Union and its Member States in the implementation of the strategy and the action plan adopted in 2005 and stressed its full support for the UN programme of action to prevent, combat and eradicate the illicit trade in small arms and light weapons. The second biannual report was adopted by the Council on 11 December, while on 19 November it endorsed the sixth annual report on the European Union's contribution to combating the destabilising accumulation and spread of small arms and light weapons. The Commission contributes to the preparation of those annual reports by conducting a review of the administrative, legislative and financial measures taken under the strategy.

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<sup>(1)</sup> OJ C 244 E, 18.10.2007.

<sup>(2)</sup> OJ C 287 E, 29.11.2007.

<sup>(3)</sup> OJ L 85, 27.3.2007.

<sup>(4)</sup> Decision 2007/384/CFSP (OJ L 152, 13.6.2007).

The Council adopted Joint Action 2007/468/CFSP<sup>(1)</sup> on 28 June to support the activities of the preparatory commission of the Comprehensive Nuclear Test Ban Treaty Organisation in order to strengthen its monitoring and verification capabilities in the framework of the implementation of the European Union strategy against proliferation of weapons of mass destruction.

The total European Union spending on combating the accumulation and trafficking of small arms and light weapons and ammunition amounts to approximately EUR 15 million from CFSP funds over the period 1999–2007 and EUR 366 million from European Community funds and the European Development Fund over the period 1992–2007.

### ***Terrorism***

In February the European Union revised the strategy which it had adopted in December 2005 for combating radicalisation and recruitment to terrorism to focus its attention on terrorism perpetrated and inspired by al-Qaeda.

The Commission supports a series of projects related to the fight against terrorism, including projects on border protection and combating the financing of terrorism in regions extending from the Balkans to south-east Asia.

The new Instrument for Stability (2007–13), which entered into force in January, will enable the Union to significantly increase its assistance to third countries with a view to developing their counter-terrorist capacities. The Union launched its first joint action on terrorism<sup>(2)</sup> on 16 July, allocating financial assistance to the African Centre for Study and Research on Terrorism based in Algiers.

### ***Contribution to peace and security in Africa***

The Europe–Africa partnership was consolidated in 2007 through the Member States' voluntary contributions to the African Peace Facility for the purposes of the African Union mission in Sudan/Darfur and the African Union mission in Somalia.

Civilian and military aspects of the European security and defence policy were increasingly present in Africa in 2007. Although much attention had focused on the Democratic Republic of the Congo in the past, in October the largest operation concerned eastern Chad, the north-eastern Central African Republic and areas adjacent to Darfur. A large number of the activities undertaken or planned under the Instrument for Stability targeted these regions and other crisis areas in Africa.

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(1) OJ L 176, 6.7.2007.

(2) Joint Action 2007/501/CFSP (OJ L 185, 17.7.2007).

## **Sudan/Darfur**

In its conclusions of 22 January on Sudan, the Council remained greatly concerned about the intolerable security, humanitarian and human rights situation in Darfur and asked for an end to impunity in the region. In its conclusions of 5 March the Council recalled the strong commitment of the Union and its Member States to the African Union mission to Darfur: EUR 400 million had already been contributed to it since 2004 through the African Peace Facility and bilateral contributions from Member States.

At the request of the Political and Security Committee on 24 July, the Council Secretariat and the Commission, working closely with the European Union special representative for Sudan, presented an outline plan on strengthening the Union's political action in Darfur and the region as a whole. The plan entails direct European Union technical, financial and political support to the negotiating process and support for the African Union/United Nations effort to mediate a settlement in the Darfur conflict. The Union focused on contacts between all the international actors according to the 'Tripoli format', including China and the Arab countries, as well as regional actors, notably Chad, Egypt, Eritrea and Libya.

The European Union welcomed the setting-up of the United Nations–African Union hybrid operation in Darfur (Unamid). The Council noted that it was crucial that AMIS received the support it needed from the international community to enable it to carry on its mission during the transition to Unamid. In this context, on 19 November the Council reaffirmed the Union's intention to ensure the continuation of its current support to AMIS, up to the transfer of authority to Unamid.

## **Democratic Republic of the Congo**

The Council affirmed its support to the work conducted by EUSEC RD Congo. EUPOL RD Congo, the new European Union police mission under the European security and defence policy, and its interface with the justice sector, took over from EUPOL Kinshasa, which was successfully concluded on 30 June.

## **Chad, Central African Republic**

Following the unanimous adoption of UN Security Council Resolution 1778 (2007), which approved the deployment in Chad and the Central African Republic of a multidimensional presence and authorised the European Union to provide the military element of it, the Union decided to deploy forces in these countries for a period of 12 months from the declaration of initial operating capability. The EUFOR Tchad/RCA operation is taking place in the framework of a comprehensive European Union effort to facilitate a long-lasting solution to the conflict in Darfur and to promote regional stability.

## **Guinea-Bissau**

The Council noted that, following an initial joint Council–Commission information-gathering mission in May to Guinea-Bissau, consideration had been given to a possible option for an ESDP advice and assistance mission consisting of a small number of civilian and military technical experts in support of the national security sector reform process.

## **Middle East peace process**

Progress on the Middle East peace process suffered a serious setback following an upsurge in violence during the spring, caused by an internal confrontation between Palestinian armed factions that was particularly brutal in the Gaza Strip and fighting between the Lebanese army and Islamist rebels in Lebanon. A series of meetings between the President of the Palestinian Authority, Mahmoud Abbas, and the Prime Minister of Israel, Ehud Olmert, and the international conference in Annapolis in November have given rise to renewed hope for a lasting solution to the Israeli–Palestinian conflict.

### ***Occupied Palestinian territories***

The beginning of the year was marked by tension between Israel and the government of the Palestinian Authority, controlled by the Hamas movement. In its conclusions of 22 January the Council called on Israel to immediately transfer all withheld Palestinian tax and customs revenues. It also expressed its concern about new settlements and the ongoing construction of the barrier on Palestinian territory. The Council further called for the immediate release of the abducted Israeli soldier and of the Palestinian ministers and members of parliament held in Israel.

In its conclusions of 23 April the Council welcomed the Arab peace initiative as reaffirmed in the declaration of the Arab League summit of 29 March. The Council also demanded the immediate and unconditional release of BBC journalist Alan Johnston, kidnapped in Gaza on 12 March. In its resolution adopted on 26 April the European Parliament backed the Council's demand.

On 23 May the Council adopted a joint action on establishing a European Union border assistance mission for the Rafah crossing point (EU BAM Rafah) <sup>(1)</sup>, extending the mission until 24 May 2008 and allocating EUR 7 million to cover the related expenditure.

In its conclusions of 17 and 18 June, the Council condemned Hamas's seizure of control over Gaza. It declared its support for the Arab League's call for the restoration of Palestinian national unity and the unity of Palestinian territory, and for the ongoing

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(1) Joint Action 2007/359/CFSP (OJ L 133, 25.5.2007).

efforts by the Egyptian government to mediate a ceasefire. It also expressed support for President Abbas and his decision to declare a state of emergency and install a Palestinian government under Prime Minister Fayyad. The Council confirmed that the European Union would resume normal relations with the Palestinian Authority immediately and would develop the conditions for urgent practical and financial assistance.

On 16 July the European Parliament adopted a resolution condemning Hamas's seizure of military control over the Gaza Strip and called for a resumption of the Palestinian internal political dialogue in a spirit of reconciliation and national unity in order to prevent the geographical and political division of the West Bank and Gaza.

On 23 July the Council strongly condemned the attacks on Israeli territory using Qassam missiles. While recognising Israel's legitimate right to self-defence, it called on Israel to exercise utmost restraint and underlined that action should not be disproportionate or in contradiction to international humanitarian law. The Council reiterated its call for the immediate, complete and regular release of the remaining and future Palestinian tax and customs revenues. It welcomed the initial release of 255 prisoners and detainees as part of the commitment by Israel.

In its conclusions of 15 and 16 October the Council welcomed the present opportunity for progress on Israel–Palestinian peace, commending the efforts of Palestinian President Abbas and Israeli Prime Minister Olmert and encouraging both men to take initiatives as part of their political dialogue.

In order to consolidate progress achieved so far and to fulfil the potential of the current process, in its conclusions of 19 and 20 November the Council urged both parties to take additional steps to meet previous commitments, including those under the roadmap and the agreement on movement and access.

On 10 December the Council welcomed the holding of the Annapolis Conference on the Middle East peace process and the joint understanding reached between Prime Minister Olmert and President Abbas to immediately launch good-faith bilateral negotiations in order to conclude a peace treaty before the end of 2008.

The temporary international mechanism, intended to facilitate needs-based assistance to the Palestinian people, underwent several three-month extensions, endorsed by the Quartet, in 2007.

### ***Lebanon***

The security situation in Lebanon suffered as a result of the political deadlock afflicting the country since November 2006. In its conclusions of 22 January the Council commended the ambitious recovery, reconstruction and reform programme adopted by Lebanon on 4 January and hailed the decision by the Lebanese government to adopt an action plan under the European neighbourhood policy.

On 25 January an international conference on support for Lebanon was held in Paris. The European Union and its Member States pledged to provide over 40 % of the aid made available by the international community in support of the Lebanese people and its legitimate and democratically elected government, an amount totalling more than USD 7.6 billion.

At its meeting of 17 and 18 June the Council expressed its concern over the dramatic deterioration in the security situation in Lebanon during May following clashes between the Lebanese army and Fatah al-Islam militants.

The Council also condemned the assassination of member of parliament Mr Walid Eido, his son and others on 13 June. It reiterated its call on all political forces in Lebanon to search for a solution to the current political deadlock and to develop the widest possible consensus for the forthcoming presidential elections. It welcomed the establishment of a special tribunal into the assassination of ex-Prime Minister Rafik Hariri as an opportunity for the Lebanese people to affirm respect for the rule of law in their country.

On 23 July the Council condemned the terrorist attacks on the United Nations Interim Force in Lebanon, in particular the attack on 24 June that killed six peacekeepers from the Spanish contingent. The Council expressed its deep concern over the continuing violence in Lebanon, particularly the fighting in the refugee camp at Nahr al-Bared.

On 16 October the Council also condemned the assassination of member of parliament Mr Antoine Ghanem and five other persons. It reiterated its calls for the holding of free and fair presidential elections, without foreign interference and in conformity with the deadline set by the Constitution.

## **Reconstruction process (Afghanistan, Iraq)**

### ***Afghanistan***

In 2007 the European Union continued to play a major role in the reconstruction process in Afghanistan. The Commission remained one of the top donors in Afghanistan and one of the very few to make a multiannual commitment. In May the Commission launched its new strategy for Afghanistan and announced an indicative programme of assistance for the years 2007–10 worth EUR 610 million. The new aid programme focuses on three priority areas: reform of the justice sector and the police, rural development including alternatives to poppy production, and health.

One major development in 2007 was the new programme in the justice sector. The Commission placed experts in key justice institutions to draw up a major programme of reforms in the judiciary and legal services in Afghanistan with the aim of improving qualifications, recruitment, and salary and career structures.

The Commission also continued to lend support to the Afghan national police force. In July, during the conference in Rome on the rule of law in Afghanistan, a EUR 200 million aid package in support of the police and the justice system was confirmed. This aid is part of a new commitment to reinforce good governance and the rule of law in the provinces.

At its meeting of 17 and 18 June the Council welcomed the new European Union police mission to Afghanistan (EUPOL Afghanistan) under the European security and defence policy. The aim of the mission is to contribute to the establishment of sustainable and effective civilian policing arrangements under Afghan ownership. During its three-year mandate, the mission will carry out its tasks through monitoring, mentoring, advice and training at the level of the Afghan Ministry of the Interior, regions and provinces.

Most of the European Union Member States continued to contribute to the UN-mandated International Security Assistance Force operating under NATO command. Their total contribution amounted to approximately 17 000 men.

### ***Iraq***

The Commission continued to contribute substantially to the international reconstruction effort in Iraq and was the largest donor to the International Reconstruction Fund Facility for Iraq, managed by the World Bank and the United Nations. The facility focuses its support on basic services (education, health, food, upgrading infrastructure, supporting refugees), agriculture and natural resources, capacity building (good governance, human development and institutional support) and election support.

Aid from the Commission totalled EUR 90 million in 2007, providing support to the rule of law, energy, the political process and the reform of public financial management, and assistance to Iraqi refugees in Jordan and Syria. The Commission carried out a global assessment of refugees' needs with a view to developing a comprehensive medium-term strategy. In addition EUR 4 million was made available to support internally displaced persons in Iraq.

The Commission also contributed to strengthening the rule of law in Iraq through the Eujust LEX mission. Two rounds of negotiations were conducted in 2007 with a view to a trade and cooperation agreement with Iraq.

### **General references and other useful links**

- External relations:  
[http://ec.europa.eu/external\\_relations/index.htm](http://ec.europa.eu/external_relations/index.htm)
- Common foreign and security policy:  
[http://ec.europa.eu/external\\_relations/cfsp/intro/index.htm](http://ec.europa.eu/external_relations/cfsp/intro/index.htm)
- United Nations:  
<http://www.un.org/english/>

- International Atomic Energy Agency:  
<http://www.iaea.org/>
- Council website on European security and defence policy:  
[http://www.consilium.europa.eu/cms3\\_fo/showPage.asp?lang=en&id=261&mode=g&name=](http://www.consilium.europa.eu/cms3_fo/showPage.asp?lang=en&id=261&mode=g&name=)
- European Defence Agency:  
<http://eda.europa.eu/>
- Civilian operations:  
[http://ec.europa.eu/external\\_relations/cfsp/fin/pja.htm](http://ec.europa.eu/external_relations/cfsp/fin/pja.htm)
- Rebuilding Iraq:  
[http://ec.europa.eu/external\\_relations/iraq/intro/index.htm](http://ec.europa.eu/external_relations/iraq/intro/index.htm)
- International Reconstruction Fund for Iraq:  
<http://www.irffi.org/>
- Middle East Peace Process:  
[http://ec.europa.eu/external\\_relations/mepp/index.htm](http://ec.europa.eu/external_relations/mepp/index.htm)

### *Section 5*

## Multilateral cooperation

### Cooperation with the United Nations

Cooperation between the European Union and the United Nations continued to grow in 2007. The importance of the partnership was underlined when the new Secretary-General of the United Nations, Ban Ki-moon, visited Brussels on 24 January.

The European Union maintained its support for the UN reform process (inter alia through the adoption on 15 June of Council conclusions on the reform of the Food and Agriculture Organisation) and for the consolidation of the new bodies created following the 2005 World Summit (the Peacekeeping Commission and the Human Rights Council).

Having been invited to take part in meetings as an institutional donor, the European Community, together with a number of its Member States, contributed actively to the Peacekeeping Commission, which continued its work on Burundi and Sierra Leone, by adopting a peacekeeping strategy for Burundi on 20 June.

On 17 June the Council approved the Union's priorities for the 62nd General Assembly of the United Nations: reform of the UN system; peacekeeping; peacebuilding architecture; human rights; system-wide coherence of UN operational activities; rule of law; international justice; the responsibility to protect; development and the fight against poverty; environment/climate change and global warming; the fight against

terrorism; disarmament, arms control and non-proliferation of weapons of mass destruction; regional organisations; and the UN budget.

On 7 June a joint statement on EU–UN cooperation in crisis management was signed by the Presidency of the Council of the European Union and the UN Secretary-General. The new text was aimed at further enhancing mutual cooperation and improving coordination of the two organisations' activities.

## **Council of Europe**

Cooperation with the Council of Europe increased in 2007, as testified by the signing on 23 May of a memorandum of understanding between the European Union and the Council of Europe on strengthening cooperation between the two organisations in all areas of common interest. This agreement followed up a decision adopted at the third summit of Heads of State or Government of the Council of Europe in Warsaw in May 2005 on the creation of a new framework for enhanced cooperation and political dialogue with the European Union.

At the European Union–Council of Europe quadripartite meeting of 23 October (involving the European Union Council Presidency, the European Commission, the Council of Europe Presidency and the Secretariat of the Council of Europe), which took place in a constructive atmosphere, the parties noted the landmark step in their cooperation. Action to promote democracy and joint initiatives to be conducted in the countries covered by the European Union's neighbourhood policy were the two strands of discussion at the meeting. The Commission emphasised the neighbourhood policy's potential for cooperation, noting that it also offered the possibility of jointly promoting cooperation at regional level (e.g. in the Black Sea region).

## **Organisation for Security and Cooperation in Europe**

Throughout the year the Commission continued to cooperate with the Organisation for Security and Cooperation in Europe (OSCE) to ensure that the Union's priorities and objectives, as defined at the Brussels ministerial conference of 4 and 5 December 2006, were taken into account in OSCE activities and policies. Cooperation between the Commission and the OSCE was strengthened, both at headquarters and on the ground, to ensure that human and financial resources were used to optimal effect and contributed to increasing synergy and complementarity between the two organisations. With this in mind, a financial agreement between the European Community and the OSCE on the contributions to the OSCE budget was signed on 11 July.

On issues relating to the economic and environmental dimension, the Commission continued to lead for the European Union at the various monthly meetings and at the Prague Economic Forum (21–23 May) on the impact on environmental security of land degradation, soil contamination and water management.

The Commission also contributed to the work of the 2007 human dimension implementation meeting, which took place in Warsaw from 24 September to 5 October.

Ms Ferrero-Waldner attended the Ministerial Council in Madrid on 29 and 30 November, which took a number of important decisions, including agreeing the chairmanships up to 2011 and increasing support to Afghanistan.

## **World Bank and regional development banks**

Despite the fact that it is not a World Bank shareholder (only the Member States are), the Community is one of the largest partners in and financial contributors to the World Bank's operations and trust funds around the world. This cooperation has expanded considerably over the last few years under a framework agreement signed in November 2001 (and eventually revised in 2006) and a bilateral memorandum of understanding at geographical level (Mediterranean and African, Caribbean and Pacific regions, European neighbourhood policy countries, central Asia, etc.).

Bilateral relations between the World Bank's newly appointed President, Robert Zoellick, and his team with the Community intensified in 2007. Mr Zoellick himself met President Barroso and the Members of the Commission in June (as President-designate) and again in November.

These visits mainly focused on the new World Bank development strategies: how to stabilise fragile States, how to protect global public goods (including energy and climate change issues), how to enhance good governance in adjusting countries, support to middle-income developing countries, how to engage new emerging economies and donors, how to enhance the European Union's visibility, and cofinancing/implementation modalities with the Community.

The dialogue also took place between the European Union's delegations and the Bank's offices at field level. In 2007 the Bank invited the Community to the presentation of its annual reports. The Bank participated in the European Parliament's hearings on development issues, while meetings also took place in 2007 between the World Bank and the European Investment Bank.

Monthly meetings of the Bank's European executive directors took place in Washington during the year with the aim of harmonising the Union's position and speaking with one voice on the main policy issues and decisions due to be adopted by the Bank's Board.

As regards operations, the Community's annual disbursement pipeline (grants) to support around 30 World Bank trust funds was in the region of EUR 0.5 billion. One third of these initiatives concerned specific projects in individual countries, while the remainder concerned transnational horizontal thematic actions (debt relief under the heavily indebted poor countries programme, health, environment, research on tropical

agriculture) and post-war, post-disaster reconstruction programmes coordinated by the World Bank in Afghanistan, East Timor and Iraq, and in tsunami-affected countries in south Asia.

The Community maintained the same type of policy dialogue and operational cooperation with the regional development banks (African Development Bank, Asian Development Bank and Inter-American Development Bank) as with the World Bank.

***General references and other useful links***

- EU relations with the United Nations:  
[http://ec.europa.eu/external\\_relations/un/index.htm](http://ec.europa.eu/external_relations/un/index.htm)
- United Nations  
<http://www.un.org/english/>
- EU relations with the Council of Europe:  
[http://ec.europa.eu/external\\_relations/coe/index.htm](http://ec.europa.eu/external_relations/coe/index.htm)
- The European Union and the Organisation for Security and Cooperation in Europe:  
[http://ec.europa.eu/external\\_relations/osce/index.htm](http://ec.europa.eu/external_relations/osce/index.htm)
- Council of Europe:  
<http://www.coe.int/DefaultEN.asp>
- Organisation for Security and Cooperation in Europe:  
<http://www.osce.org/>

# Life of the institutions and other bodies

## European Parliament

### *Composition of Parliament*

As a result of the accession of Bulgaria and Romania, the number of parliamentary seats has been increased to 785. At 31 December the distribution of the 785 seats among the political groups was as follows:

- European People's Party (Christian Democrats) and European Democrats (EPP-ED),  
chaired by Mr Daul 284
- Socialist Group in the European Parliament (PES),  
chaired by Mr Schulz 215
- Alliance of Liberals and Democrats for Europe (ALDE),  
chaired by Mr Watson 103
- Union for Europe of the Nations (UEN),  
co-chaired by Ms Muscardini and Mr Crowley 44
- Greens/European Free Alliance (Greens/EFA),  
co-chaired by Ms Frassoni and Mr Cohn-Bendit 42
- Confederal Group of the European United Left/Nordic Green Left (GUE/NGL),  
chaired by Mr Wurtz 41
- Independence/Democracy Group (ID),  
co-chaired by Mr Bonde and Mr Farage 24
- Non-attached (NI) 32

There was for a time also a group entitled Identity, Tradition and Sovereignty (ITS); this was set up at the January part-session by 20 members from seven countries (Belgium, Bulgaria, France, Italy, Austria, Romania and the United Kingdom), but it ceased to exist at the first part-session in November, following the departure of five Romanian members. The group's members consequently became non-attached.

### ***Statute of Members***

In November Parliament decided to amend Rule 8 of its Rules of Procedure, with effect from the beginning of the seventh parliamentary term in 2009, to make it clear that unless otherwise stipulated the rules governing the implementation of the Statute of Members were to be laid down by its Bureau.

### ***Future composition***

In response to an invitation from the European Council, and in line with the new Article 9A of the Treaty on European Union (as amended and inserted by the Treaty of Lisbon), Parliament approved a draft decision on its future composition. There would be a provisional allocation of seats between Member States for the 2009–14 parliamentary term, based on the principle of degressive proportionality, and a review with the aim of establishing a permanent system before the 2014–19 term. The maximum number of seats would be 750, but if there were to be a fresh enlargement during the term that ceiling would be exceeded temporarily.

The European Council in October finally decided for a ceiling of '750 + 1', the '+ 1' being the President of Parliament. At the second part-session in October the President of Parliament, Mr Pöttering, said he wanted it to be clear that the President would not be deprived of his vote.

Parliament also approved a report on the right to vote and stand in elections to the European Parliament for Union citizens residing in a foreign Member State, thereby marking out the terrain for a general discussion of measures that might facilitate greater participation in European elections.

### ***Election of officers***

The mid-term election of Parliament's officers took place at the beginning of the year: Parliament had to choose its President, vice-presidents and quaestors and the chairmen of its committees.

Mr Pöttering was elected the new President by a large majority, following an agreement reached between the two biggest groups (EPP–ED and PES).

Eight parliamentary committees changed chairman: including chairmen of subcommittees, nine chairmen now belong to the EPP–ED, seven to the PES, three to the ALDE, and one each to the UEN, Greens/EFA and GUE/NGL. The reshuffle does not affect the balance established in 2004. The number of committees and their individual fields of responsibility remain unchanged.

Following the arrival of the new Bulgarian and Romanian members, Parliament amended its Rules of Procedure so as to increase the number of quaestors from five to

six and the number of vice-chairmen of committees from three to four for the period January 2007 to July 2009.

### ***Parliamentary reform***

Parliament embarked on a review of ways of reforming its working methods, and set up a working group to look into the matter. The work will continue next year, but the Conference of Presidents approved an initial set of reform measures in October, dealing with the handling of plenary business.

### ***Parliament's work***

A breakdown of Parliament's work in 2007 is given in Table 4.

In 2007 Parliament addressed 6 790 questions to the Commission: 6 066 written questions, 59 oral questions with debate and 665 during question time. Parliament addressed 1 026 questions to the Council: 594 written questions, 23 oral questions with debate and 409 during question time.

Article 194 of the EC Treaty makes Parliament the addressee of petitions at European level, and the petitions lodged by European citizens provide it with a vital opportunity to monitor the application of Community law in practical ways and take appropriate action where necessary. Parliament received some 1 000 new petitions in 2007; a steadily growing proportion concerned the protection of the environment, which has now become the biggest single issue in petitions. Parliament frequently called on the assistance of the Commission in order to help members to study the circumstances complained of in more detail. This is an area where large-scale cooperation between institutions can be very useful.

With regard to the strategic objective of prosperity, Parliament debated a wide variety of issues, including: the broad economic policy guidelines for 2007 and the guidelines for the employment policies of the Member States; the single market review — tackling barriers and inefficiency through better implementation and enforcement; the obligations of crossborder service providers; social services of general interest in the European Union; a common frame of reference for European contract law; putting knowledge into practice — a broad-based innovation strategy for Europe; a European policy on radio spectrum and on broadband Internet; digital libraries; company law and the statute of the European private company; collective cross-border management of copyright; competition policy in 2005; financial services policy 2005–10; public finances in the EMU 2006; timely transmission and verification of statistical data provided by the Member States; financial instability and its impact on the real economy; the 2007 annual report on the euro area, the adoption of the euro by Cyprus and Malta, and the improvement of the way Parliament is consulted on euro-area enlargements; the contribution of taxation and customs policies to the Lisbon strategy; specific difficulties in the transposal and implementation of public procurement legislation in relation

**Table 4****Parliamentary proceedings from January to December — Resolutions and decisions adopted**

	Legislation						Other procedures				Total
	Cooperation		Co-decision		Approved	Budget and discharge	Own-initiative procedures	Resolutions (Articles 103, 108)	Human rights	Miscellaneous	
	Consultation <sup>(1)</sup>	First reading	Second reading	First reading <sup>(2)</sup>							
January I				4	1		3	2			10
January II	2				2		6	2			13
February	8					1	12	5	3		34
March I	5	3		1			11	8	3		30
March II	3	5				1	4	1		1	15
April	10	12	2			27	8	7	3	1	70
May I		1	3				6	2		1	13
May II	6	2	2	1			11	5	3	3	33
June I	8	3				3	2	2		1	19
June II	13	17					14	5	3	1	53
July	14	20	3	1	1	1	14	8	3	4	69
September I	4	2	1			1	12	4	3		27
September II	11	8		3			9	6			37
October I	5						4	3			12
October II	20	6	2		3	3	10	5	3	4	56
November I	9	19			1		9	10	3	2	53
November II	13	11	1				4	2		2	33
December	21	5	4		1	2	5	11	3	3	55
<b>Total 2007</b>	<b>152</b>	<b>0</b>	<b>0</b>	<b>119</b>	<b>22</b>	<b>6</b>	<b>144</b>	<b>88</b>	<b>30</b>	<b>23</b>	<b>632</b>

<sup>(1)</sup> Including 66 cases in which Parliament proposed amendments to the Commission proposal and two cases in which it rejected the proposal.

<sup>(2)</sup> Including 79 cases in which Parliament proposed amendments to the Commission proposal.

<sup>(3)</sup> Including 15 cases in which Parliament amended the Council's common position.

to the Lisbon agenda, and derogations from the single-market rules on defence procurement under Article 296 of the EC Treaty; consumer policy strategy 2007–13, and the Green Paper on the review of the consumer *acquis*; the future of European aircraft construction; the air transport agreement between the European Community and the United States, and the multilateral agreement on the establishment of a European common aviation area; the implementation of the first rail package; Keep Europe moving — sustainable mobility for our continent; Galileo; the Green Paper on urban transport; freight transport logistics in Europe; airport capacity and ground handling — towards a more efficient policy, and the complaint brought before the WTO by Boeing against Airbus; a renewed EU tourism policy — towards a stronger partnership for European tourism; efficiency and equity in European education and training systems; the role of sport in education; the future of professional football in Europe; and the status of artists.

The year was marked by growing concern with questions of energy and climate change. A range of energy issues were debated, including: the macroeconomic impact of the increase in the price of energy; assessing Euratom — 50 years of European nuclear energy policy; prospects for the internal gas and electricity market; a roadmap for renewable energy in Europe; efforts to arrive at a foreign energy policy; conventional energy sources; and energy technology. On climate change, Parliament decided in April to set up a temporary committee on climate change which would formulate proposals on the European Union's future integrated policy on climate change and coordinate Parliament's position with a view to negotiating the international framework for climate policy after 2012. The House heard statements on climate change from the Council and the Commission, and debated the Council's strategy for the Bali conference on climate change (COP 13 and COP/MOP 3). It also adopted a report on the links between trade and climate change.

On the legislative front, key moments in the year were the adoption of a first-reading agreement on mobile phone roaming, and of first-reading positions on a European Institute of Innovation and Technology and on postal services. Parliament approved the outcome of the conciliation on the third rail package, and completed the second readings of a number of important items, such as the coordination of certain rules in the Member States governing audiovisual media services, and the first readings of some others, such as the definition, description, presentation and labelling of spirit drinks, review procedures concerning the award of public contracts, and *Fiscalis 2013*. But the House rejected the Commission proposal on the approximation of the rates of excise duty on alcohol and alcoholic beverages (the report was first referred back to the appropriate parliamentary committee in May, and finally rejected in July), and likewise rejected the proposal on voluntary modulation of direct payments under the common agricultural policy (the proposal was referred back to committee in November 2006, and finally rejected in February 2007). The House did not accept a committee recommendation that it should reject the proposal regarding the intervention mechanism for cereals.

As regards the solidarity objective, the main subjects considered by Parliament included: equality between women and men and the roadmap for 2006–10; educational discrimination against young women and girls; implementing the principle of equal treatment between persons irrespective of racial or ethnic origin; the situation of disabled women in the European Union; discrimination and social exclusion affecting children with disabilities; social reality stocktaking and common principles on 'flexicurity'; Community action on the provision of cross-border healthcare and the implications of the exclusion of healthcare services from the services directive; homophobia in Europe; the progress of the negotiations on the framework decision on action to combat racism and xenophobia and measures to combat the rise of extremism in Europe; the freedom of movement of Roma within the borders of the European Union; the application of Directive 2004/38/EC on the right of Union citizens and their family members to move and reside freely within the territory of the Member States; missing persons in Cyprus; promoting decent work for all and modernising labour law; strengthening European legislation in the field of information and consultation of workers; corporate social responsibility — a new partnership; aid to farmers whose crops were hit by frost; rising food prices and consumer protection; the integration of the new Member States into the common agricultural policy; the impact and effects of structural policies on European Union cohesion and the effectiveness of cohesion policy in reducing disparities in the poorest regions; towards a future maritime policy for the Union — a European vision for the oceans and seas, and Member States' efforts during 2005 to achieve a sustainable balance between fishing capacity and fishing opportunities; illegal bird hunting in Malta; the Via Baltica; thematic strategies for the sustainable use of natural resources, for soil protection, and for the sustainable use of pesticides; the Community strategy to reduce CO<sub>2</sub> emissions from passenger cars and light commercial vehicles; efforts to halt the loss of biodiversity by 2010, and international trade in endangered species of wild fauna and flora; the European Union action plan against illegal, undeclared and unregulated fishing; banning seal products in the Union; and the Convention to Combat Desertification.

The committee of inquiry into the crisis at the life assurance company Equitable Life delivered its final report. The report puts forward critical conclusions regarding the particular case, and also makes a number of general recommendations on the transposal of European legislation, the functions of the Commission, and the role of committees of inquiry.

Also with respect to the solidarity objective, there were important legislative developments, including the final versions, arrived at after conciliation, of the regulation on non-contractual obligations (Rome II) and the regulation on the financial instrument for the environment, and the second-reading compromise on the Daphne III programme.

As regards the strategic objective of security, Parliament expressed its views on such current issues as the strategy for the external dimension of the area of freedom,

security and justice; agreements with the United States on passenger name records and the SWIFT banking system; restrictions imposed by the European Union on liquids that passengers can take on board aeroplanes; the external dimension of the fight against international terrorism; developing a strategic concept for tackling organised crime; the Council decision on the moratorium on the death penalty; steps towards a global treaty to ban all cluster munitions and towards an arms trade treaty; the 10th anniversary of the signing of the Ottawa Convention banning anti-personnel mines; management of Europe's maritime borders, European solidarity and protection of migrants' rights; practical cooperation and quality of decision-making in the common European asylum system; policy priorities in the fight against illegal immigration of third-country nationals and the policy plan on legal migration, and the Green Paper on diplomatic and consular protection of Union citizens in third countries; fire safety in hotels; the mid-term review of the EU road safety action programme; toy safety, and dangerous toys manufactured in China; consumer confidence in the digital environment; the ESDP operation in Chad and the Central African Republic; natural disasters and the forest fires in Greece, their consequences and conclusions to be drawn for prevention and preparedness measures; combating HIV/AIDS; the multiple sclerosis code of best practice; action to tackle cardiovascular disease; a strategy to support Member States in reducing alcohol-related harm; a European dimension for the prevention of overweight and obesity; policy options for a Europe free from tobacco smoke; and risk management in relation to the genetically modified maize MON 863.

Parliament delivered a favourable opinion on the Council's proposal that the Schengen *acquis* be extended to nine new Member States.

In February the temporary committee on the alleged use of European countries by the United States of America's Central Intelligence Agency for the transport and illegal detention of prisoners completed its work and delivered its final report. The House resisted attempts by several groups to moderate the tone of the report.

As regards the Union as a global partner, the House reviewed the annual report from the Council to the European Parliament on the main aspects and basic choices of CFSP, including the financial implications for the general budget of the European Union — 2005, and the prospects for the Union's common foreign and security policy in 2007, including the deployment of anti-missile defence systems in Europe by the United States. There were major debates on particular countries and regions of the world discussing the situations in Darfur, in the Middle East and especially Palestine, in Pakistan, in Myanmar (Burma), in Kashmir, in Nigeria, in Zimbabwe and in Georgia; the future of Kosovo and the role of the European Union; the 2006 progress report on the former Yugoslav Republic of Macedonia; the situation in Bosnia and Herzegovina (making recommendations to the Council); the situation in Montenegro (conclusion of the stabilisation and association agreement); relations with Russia, Serbia and Ukraine (including negotiations for a new enhanced agreement with the European Union);

transatlantic relations; relations with China, including the dialogue on human rights; relations with Switzerland; strengthening the European neighbourhood policy; Union policy towards reform in the Arab world; trade and economic relations with South Korea; negotiations on an interregional association agreement with Mercosur and the new bilateral strategic partnership with Brazil; the negotiation of an EU–central America association agreement and of an EU–Andean Community association agreement; Euro-Mediterranean relations — the construction of the Euro-Mediterranean free trade zone; a strategy for a strengthened partnership with the Pacific islands; the state of play of EU–Africa relations and the second European Union–Africa summit (Lisbon, 8 and 9 December); the referendum in Venezuela; and the death sentences imposed on medical staff in Libya.

Various aspects of development policy and external trade were considered, and in particular: budget aid for developing countries; the European Union’s aid for trade; the proclamation of a European consensus on humanitarian aid; local authorities and development cooperation; mainstreaming sustainability in development cooperation policies; the renegotiation of the WTO government procurement agreement; the Commission Green Paper and public consultation on possible changes to the Union’s trade defence instruments; economic partnership agreements; the European interest — succeeding in the age of globalisation and global Europe — external aspects of competitiveness; the TRIPS agreement and access to medicines; the conclusions of the G8 meeting — the millennium development goals at the midway point; the work of the ACP–EU Joint Parliamentary Assembly in 2006; recent developments in bilateral trade relations between the European Union and China, and imports of certain textile and clothing products; and a Union response to situations of fragility, and advancing African agriculture.

Parliament was rigorous in its exercise of its right of democratic oversight of the working of the financing instrument for development cooperation, and several times asked the Commission to withdraw or rewrite draft decisions on the ground that they were outside its executive powers, examples being the 2007 special measure for Iraq, and the regional strategy document and multiannual indicative programme for Asia.

Human rights were also repeatedly on the agenda: more specifically, Parliament discussed the annual European Union report on human rights; the fifth session of the United Nations Human Rights Council, held in Geneva from 11 to 19 June; and the working of dialogues and consultation with non-Union countries on human rights issues.

On enlargement, Parliament adopted its progress report for Croatia in 2006, and debated relations between the Union and Turkey. It considered the role of Turkish women in social, economic and political life. Debate on the impact that future enlargements might have on the effectiveness of cohesion policy also centred on the Union’s capacity to integrate Turkey.

### ***Parliament's relations with the other institutions***

On the interinstitutional front, Parliament debated the work programmes and achievements of the German and Portuguese Presidencies of the Council and the preparations for the European Councils in Brussels on 21 and 22 June and 13 and 14 December. It also discussed the preparations for the spring European Council on 8 and 9 March, and its outcome, and the preparations for the informal European Council in Lisbon on 18 and 19 October, and its outcome; the European Investment Bank's annual report for 2005; the European Central Bank's annual report for 2006; the 2006 annual report on the activities of the European Ombudsman (in the presence of the Ombudsman, Mr Diamandouros); and the Court of Auditors 2006 annual report, presented by its President, Mr Weber.

On the budgetary front, Parliament adopted the 2008 budget and approved the discharge for 2005. The 2008 budget, as adopted, reflects the policy priorities adopted by Parliament at first reading, with special reference to Community financing for Galileo, the European Institute of Innovation and Technology, and the European Union missions to Kosovo and Palestine. Parliament decided to keep only EUR 5 million in the blocked reserve under Heading 5 for Commission staff expenditure. It also debated the future of the Union's own resources.

On the political and institutional front, Parliament expressed its position on a great many issues of current political importance, such as: the Berlin Declaration; the roadmap for the Union's constitutional process; the convening of the Intergovernmental Conference, where it had to deliver an opinion under Article 48 of the EU Treaty; approval of the Charter of Fundamental Rights of the European Union, and a methodology for systematic and rigorous monitoring of compliance with the Charter in the Commission's legislative proposals; and co-decision (with the conclusion of the joint declaration on practical arrangements for the co-decision procedure) and comitology. Better lawmaking was a centre of attention once again and Parliament adopted resolutions on: the annual report 'Better lawmaking 2005 — Application of the principles of subsidiarity and proportionality'; a strategic review of better regulation in the European Union; the strategy for the simplification of the regulatory environment; and institutional and legal implications of the use of 'soft law' instruments. On the legislative front, there were two reports adopted in November (one under the simple consultation procedure, the other by the co-decision procedure) on political parties at European level and the rules regarding their funding. The first co-decision reading was in fact completed in record time.

At the December part-session the Sakharov Prize was presented to Mr Salih Mahmoud Mohamed Osman, a Sudanese lawyer who has defended victims of the war in Darfur. Special sittings of the House were addressed by Mr Băsescu, President of Romania, in January; Mr Parvanov, President of Bulgaria, in February; Mr Kalam, President of India, in April; Mr Cavaco Silva, President of Portugal, in September; Mr Sarkozy, President

of France, in November; and His Majesty King Abdullah II, King of the Hashemite Kingdom of Jordan, in December.

Parliament invited various members of the European Council to debate the future of Europe, notably Mr Prodi, Prime Minister of Italy, and Mr Balkenende, Prime Minister of the Netherlands, in May, and Mr Zapatero, Prime Minister of Spain, in November. In May, in the form of statements made by the President of Parliament and the chairs of the political groups, the House reacted to tensions between Estonia and Russia and sent a powerful political message of solidarity from within the European Union.

### ***Staffing***

At 31 December the establishment plan of Parliament's Secretariat comprised 4 998 permanent posts and 126 temporary posts.

### ***Cooperation between the European Parliament and the Commission***

At the December part-session Parliament approved by a large majority a resolution on the Commission's legislative and work programme for 2008. The resolution welcomed improvements made by the Commission, and put forward a great many suggestions.

## **European Ombudsman**

The European Ombudsman, Mr Diamandouros, acting on the basis of Article 195 of the EC Treaty, opened some 180 inquiries into cases of suspected maladministration on the part of the Commission. These cases focused mainly on the question of transparency (access to documents), disputes regarding invitations to tender and grants, 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 led to criticism by the Ombudsman: more and more often the Ombudsman has proposed that the complainant and the Commission reach a settlement of their dispute. In order to enhance political accountability, it is now no longer the Secretary-General of the Commission that replies to the Ombudsman in an inquiry, but instead the responsible Commissioner acting on behalf of the whole Commission.

In October the Ombudsman met the coordinators in the directorates-general who handle the complaints he sends them, and in November he met the directors-general and heads of other departments. Parliament is currently considering proposals submitted to its President by the Ombudsman for changes to the conditions governing the performance of his duties. At the debate on his annual report for 2006, Mr Diamandouros told Parliament that there was a growing awareness of the Ombudsman's role among the public.

## **Council and European Council**

### ***Council***

The Council was chaired by Germany in the first half of 2007 and by Portugal in the second half. It held a total of 79 formal meetings in its various configurations.

At 31 December the establishment plan of the General Secretariat of the Council comprised 3 461 permanent posts and 369 temporary posts.

### ***European Council***

The European Council held five meetings in 2007.

#### **8 and 9 March**

The European Council met in Brussels with Angela Merkel, the German Chancellor, in the chair. The meeting focused on the launch of an energy policy for Europe, preparations for the United Nations negotiations with a view to a post-2012 world agreement on international climate protection, and the progress of the Lisbon strategy. Also discussed were the new partnership with the United States, the protection of intellectual property rights, the fight against counterfeiting and product piracy internationally, the European Institute of Technology, better regulation and reducing administrative burdens resulting from legislation in the European Union, and the appointment of four European coordinators for four energy projects.

#### **Informal meeting in Berlin on 24 and 25 March**

The Heads of State or Government met informally in Berlin on 24 and 25 March, on the occasion of the 50th anniversary of the signing of the Rome Treaties on 25 March 1957. They signed the Berlin Declaration, which underlines the contribution European unification has made to peace and prosperity and reiterates the Union's fundamental values.

#### **21 and 22 June**

The European Council met in Brussels with Angela Merkel, the German Chancellor, in the chair. The meeting concentrated largely on the prospects for a new Treaty for the Union. After a long discussion the European Council decided to convene an Intergovernmental Conference, for which it set out a detailed mandate, emphasising that the conference should complete its work by the end of 2007. The conference would draw up a Treaty amending the existing EU and EC Treaties. Other subjects discussed included managing migration, the importance to be given to a number of measures associated with the Lisbon strategy and the modernisation of the economy, the signal sent by the recent G8 summit regarding energy policy and climate change, external relations as regards the European neighbourhood policy and relations with Africa and central Asia, and progress in the peace process in Northern Ireland.

### **Informal meeting in Lisbon on 19 October**

The Portuguese Presidency held an informal European Council which discussed globalisation and the external dimension of the Lisbon strategy. The leaders discussed the recent document from the Commission entitled 'The European interest — Succeeding in the age of globalisation', and confirmed the Union's commitment to the opening of markets, while calling for robust defence of the Union's interests outside the Union and of consumers' interests inside it. They also discussed the role and experience of the Union in environmental and social regulation, the need for greater transparency and for an early warning system for financial markets, and climate change. Alongside the informal European Council meeting, the Heads of State or Government ended the work of the Intergovernmental Conference on 18 October, by agreeing to a draft Treaty, which they subsequently signed in Lisbon on 13 December. The Charter of Fundamental Rights was signed by the Presidents of the European Parliament, the Council and the Commission on 12 December.

### **14 and 15 December**

The European Council met in Brussels on 14 and 15 December with the Portuguese Prime Minister, Mr Sócrates, in the chair. The European Council welcomed the agreement on the amending Treaty reached at the Intergovernmental Conference on 18 October and the subsequent signing of the Treaty of Lisbon on 13 December, as well as the proclamation of the Charter of Fundamental Rights on 12 December. It called for swift completion of national ratification processes with a view to the entry into force of the Treaty on 1 January 2009, thereby allowing the Union to concentrate fully on addressing the concrete challenges ahead, in particular climate change and globalisation. It adopted a declaration on globalisation in which it presented the challenges to be met and the steps the Union must take to ensure that it is a source of opportunity rather than a threat. In order to help the Union anticipate and meet challenges more effectively in the longer term, the European Council established an independent 'Horizon 2020–30 Reflection Group' with the task of identifying the key issues and developments which the Union is likely to face and to analyse how these might be addressed. Discussions also covered: the development of a migration policy; counter-terrorism strategy; implementation of the renewed Lisbon strategy; energy, climate change and sustainable development strategy; improving the framework conditions for business; the common principles on flexicurity; an integrated maritime policy; the negotiations on the future status of Kosovo; and the situation in Congo, Iran, Lebanon and Myanmar (Burma).

## **Commission**

### ***Synthesis of achievements in 2006***

On 28 February the Commission issued a communication summarising its policy achievements in 2006. On 30 May it also issued a synthesis of its management achievements in 2006.

### ***Strategic planning and programming for 2008***

On 21 February, as the first stage in its annual policy cycle, the Commission adopted its annual policy strategy for 2008. The paper establishes the policy priorities for each of the Commission's four strategic objectives (see above).

On 23 October the Commission presented its legislative and work programme for 2008. The focus continues to be on delivering results within the overall strategic objectives set out at the start of the Commission's term. The legislative programme will concentrate on growth and jobs, sustainable development and the fight against climate change, an integrated approach to migration and social integration, the well-being of the citizens in a time of globalisation with special reference to health and safety, and the role of the Union in the world.

### ***Legislative activity***

The Commission met 43 times during the year. It sent 462 proposals for directives, regulations and decisions and made three recommendations. It also presented 358 communications and reports, 11 Green Papers and four White Papers. In addition to the new initiatives, programmes and action plans adopted, the debates launched and the ongoing activities pursued under its work programme for 2007, these figures include proposals for routine management instruments and proposals for consolidating existing legislation.

### ***Relations with national parliaments***

On 8 May the Commission adopted its second annual report on relations with national parliaments. The report reviews progress in 2006 on the achievement of the objectives set, including visits to national parliaments by Members of the Commission and greater accessibility to national parliaments in the performance of their institutional responsibilities.

In 2007 the Commission continued to pursue the objectives suggested by Ms Wallström in February 2005, with attendance at meetings of the permanent representatives of the national parliaments, high-level participation in the Conference of European Affairs Committees of the parliaments of the European Union (COSAC) and in meetings between national parliaments and the European Parliament organised by COSAC, and the drafting of a newsletter.

In its communication to the European Council 'A citizens' agenda — Delivering results for Europe', adopted on 10 May 2006 <sup>(1)</sup>, the Commission expressed its wish to 'transmit directly all its new proposals and consultation papers to the national parliaments, inviting them to react so as to improve the process of policy formulation'.

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<sup>(1)</sup> COM(2006) 211 (OJ C 176, 28.7.2006).

This commitment was welcomed by the European Council, and since September 2006 the Commission departments have been sending these papers to all the national parliaments and responding to their opinions in accordance with a procedure that has been developed <sup>(1)</sup>.

Since October 2006 the Commission has received 167 opinions from 27 national assemblies in 17 Member States on 82 different documents; 112 empowerment procedures and 17 simplified procedures have been launched; 38 opinions were fully positive.

Thirty-five opinions were issued in relation to two tests of subsidiarity and proportionality carried out in the COSAC framework. The divorce proposal elicited 19 opinions: 16 of these were positive, with three lightly critical on the subsidiarity justification; the opinions from the Czech and Dutch parliaments were negative. The proposal concerning the full accomplishment of the internal market of Community postal services elicited 16 opinions; the Belgian, German, French and Luxembourg parliaments expressed reservations on certain parts of the proposal.

Another 132 opinions concerned different Commission documents. Some proposals resulted in more than a single opinion. The following Commission documents were commented on by at least three assemblies: the proposals on the European Institute of Innovation and Technology, on the common organisation of the market in wine, and on sanctions against employers of illegally staying third-country nationals; the Green Papers on tobacco smoke, on modernising labour law, on diplomatic and consular protection, on public access to documents held by institutions of the European Community, on the European research area and on the future common European asylum system; the communication 'A European vision for the oceans and seas'; and the annual policy strategy for 2008.

Certain second chambers were very active: the Czech Senate, the German Bundesrat, the French Senate and the UK House of Lords were authors of 92 out of the 167 opinions. Other proactive assemblies included the Swedish Riksdag, the Danish Folketing and the Portuguese Assembleia da República.

The Commission is on its way to the first evaluation of the procedure and will examine how to improve this new mechanism for direct dialogue with the national parliaments. With the prospect of ratification of the Lisbon Treaty, the Commission will also consider adapting its procedure to the new Treaty provisions from the date of their entry into force.

### ***Staff policy and human resources management***

In 2007 the Commission had 19 004 permanent administrative posts and 366 temporary administrative posts, and 3 828 permanent research posts. There were also 1 920 perma-

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<sup>(1)</sup> SEC(2006) 1252.

ment posts and 117 temporary posts for offices attached to the Commission. In the agencies, there were 3 733.5 posts for officials and temporary staff in the regulatory agencies, and 164 posts for temporary staff in the executive agencies.

At 1 November there were 230 Commission officials seconded outside the Commission, and 1 171 national experts were working at the Commission. In 2007, 261 national civil servants had the opportunity to see the working of the Commission from the inside under its 'structural' in-service training scheme.

## **Court of Justice and other courts**

### **Appointments to the Court of Justice**

The following were appointed to the Court of Justice in 2007 as judges: Mr Alexander Arabadjiev and Ms Camelia Toader.

### **Appointments to the Court of First Instance**

The following were appointed judges of the Court of First Instance in 2007: Mr Valeriu Ciucă, Mr Teodor Tchipev, Mr Alfred Dittrich, Mr Sten Frimodt Nielsen, Mr Santiago Soldevila Fragoso and Mr Laurent Truchot.

Mr Jaeger, who has been a judge of the Court of First Instance since 11 July 1996, was appointed President of the Court on 17 September.

### **Staffing of the courts**

At 31 December the Court of Justice, the Court of First Instance and the Civil Service Tribunal had 1 453 permanent posts and 429 temporary posts.

### **Case-law of the Court of Justice and the Court of First Instance**

The Court of Justice delivered three judgments on questions of police and judicial cooperation in criminal matters.

- In the case of *Advocaten voor de Wereld* <sup>(1)</sup>, the Court upheld the validity of the framework decision on the European arrest warrant, rejecting the arguments put forward that the form of legal instrument used was inappropriate and that the principles of legality and non-discrimination had been infringed.
- In a case brought by the *Ordre des barreaux francophones et germanophone and Others* <sup>(1)</sup> the Court held that the money laundering directive did not infringe the right to a fair trial guaranteed by the Convention for the Protection of Human Rights and Fundamental Freedoms when, under certain precise conditions, it

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<sup>(1)</sup> Case C-303/05.

extended to lawyers the obligation to inform the competent authorities if facts came to their knowledge that might be linked to money laundering.

- In a case brought by the Commission against the Council concerning the power of the Community to make provision for criminal penalties in order to combat pollution caused by ships <sup>(1)</sup>, the Court confirmed its existing case-law in the environmental sphere by annulling a framework decision on the ground that the provisions at issue were a matter of Community competence; the judgment also clarified the limits of that competence.

In a competition case, *Microsoft v Commission* <sup>(2)</sup>, the Court of First Instance upheld the legality of a Commission decision fining Microsoft for abusing a dominant position by refusing to supply information needed to allow a measure of interoperability between its Windows client PC operating system and other systems, and tying in the sale of its Windows Media Player.

In *Lucchini* <sup>(3)</sup>, the Court had to rule on the principle of the primacy of Community law in a matter of State aid. It held that a national court was prevented from applying a domestic rule that might encroach upon the Commission's exclusive authority to decide whether a State aid measure was compatible with the common market, including a domestic measure applying the principle of *res judicata* which in the case at issue stood in the way of the recovery of aid that the Commission had declared incompatible.

On citizenship and immigration policy, *Morgan and Bucher* <sup>(4)</sup> raised the matter of a condition laid down in German legislation according to which an education or training grant could be awarded for study abroad only if the foreign study was a continuation of a course followed for at least a year in Germany. The Court held that the rule was contrary to the free movement of Community citizens guaranteed by Article 18 of the EC Treaty.

The Court delivered three judgments on questions of the single market and free movement.

- In *Stamatelaki* <sup>(5)</sup> the Court had to consider a rule applied in Greece that prevented the refund of the cost of treatment in a private hospital in another Member State, whereas the same treatment would be refunded if provided at a private hospital in Greece; confirming earlier case-law, the Court held that this rule was an unjustified restriction on the freedom to provide services.

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<sup>(1)</sup> Case C-440/05.

<sup>(2)</sup> Case T-201/04.

<sup>(3)</sup> Case C-119/05.

<sup>(4)</sup> Joined Cases C-11/06 and C-12/06.

<sup>(5)</sup> Case C-444/05.

- In *The International Transport Workers' Federation and the Finnish Seamen's Union* <sup>(1)</sup> and *Laval un Partneri* <sup>(2)</sup> the Court held that the right to take collective industrial action was a fundamental right that formed an integral part of the general principles of Community law, but said that that right had to be reconciled with the fundamental freedoms of movement in the single market. The Court said that the trade union action in the case constituted a restriction on free movement that was caught by Article 43 of the EC Treaty, and could be justified by considerations of the protection of workers only if it could be shown that the action was suitable for securing the attainment of the objective pursued and did not go beyond what was necessary in order to attain it. In the *Laval* judgment the Court held that a blockade of building sites was a restriction on the freedom to provide services which could not be justified in the case at issue, given that the protection of workers was to a great extent ensured by the Community law in force, and that the trade union action was taking place in a national context characterised by a lack of provisions that were sufficiently precise and accessible.

On taxation, the Court held in *Meilicke* <sup>(3)</sup> that a distinction drawn in national tax legislation between the treatment of dividends received from domestic companies and of dividends received from companies in other Member States was a restriction on the free movement of capital provided for in Article 56 of the EC Treaty, and was not justified in the case at issue. The Court also clarified the circumstances in which it would limit the temporal effects of its judgments; in the case before it, it refused to grant any such limitation.

## Court of Auditors

### *Annual report*

On 13 November the President of the Court of Auditors presented its annual report for 2006 to the European Parliament <sup>(4)</sup>. The report notes a number of improvements, especially with regard to agricultural expenditure. But it says that the legality and regularity of most Community expenditure continues to be affected by errors, owing to weaknesses in the internal controls at the Commission and in the Member States.

### *Special reports*

The special reports produced by the Court of Auditors in 2007 concerned the following:

- evaluating the European Union Research and Technological Development framework programmes;

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<sup>(1)</sup> Case C-438/05.

<sup>(2)</sup> Case C-341/05.

<sup>(3)</sup> Case C-292/04.

<sup>(4)</sup> OJ C 273, 15.11.2007.

- administrative cooperation in the field of value added tax;
- control, inspection and sanction systems relating to the rules on conservation of Community fisheries resources;
- the effectiveness of technical assistance in the context of capacity development;
- the Commission's management of the CARDS programme;
- physical and substitution checks on export refund consignments;
- the management of the European Refugee Fund (2000–04);
- the institutions' expenditure on buildings;
- the implementation of the mid-term processes in the Structural Funds 2000–06;
- the Community transit system.

### ***Specific annual reports***

The specific annual reports produced by the Court of Auditors in 2007 concerned the annual accounts of the various European Union bodies and agencies for 2006.

### ***Opinions***

In 2007 the Court of Auditors issued opinions on various legislative proposals with financial implications, including the draft amending the financial regulation applicable to the general budget of the European Communities, and the draft amending the regulation on a standard financial regulation for the executive agencies to be entrusted with certain tasks in the management of Community programmes.

## **European Economic and Social Committee**

The year 2007 was a productive year for the European Economic and Social Committee.

Since the second wave of the fifth enlargement of the European Union on 1 January, the Committee has had 344 members. The 12 Bulgarian and 15 Romanian members were sworn in at the January plenary session in the presence of Mr Rehn.

In 2007 the Committee extended its scope for action in two priority policy areas by setting up the Sustainable Development Observatory and the Labour Market Observatory. In the field of foreign relations it created an EU–China round table modelled on the one with India.

The Committee held nine plenary sessions during the year, almost all of them attended by one or more Members of the Commission. It delivered 188 opinions on the full range of common policies. Notable among the policy priorities for the year were

the important Committee opinions on European Union energy policy. In 2007 the Committee stepped up its efforts to streamline its working practices by introducing a system for classifying opinions by policy priority and by confirming the rules on the presentation and length of opinions.

The Committee held a very intensive political dialogue with the other institutions in 2007, a fact reflected for example in the nine exploratory opinions issued by the Committee at the Commission's request under the protocol on cooperation on which relations between the Committee and the Commission are based. The Committee's views are also increasingly being sought by the upcoming Council Presidencies in connection with their respective priorities.

At the Committee's plenary session on 31 May Ms Wallström, Vice-President of the European Commission, and Mr Dimitriadis, President of the EESC, signed an addendum to the protocol on cooperation between the Commission and the European Economic and Social Committee. This document, which follows on from the November 2005 protocol, lays down basic principles of communication policy.

The Committee continued its thematic cooperation with similar bodies in the Member States on topics which are central to the European agenda. In this connection a fruitful discussion was held in July between Mr Barrot, Vice-President of the Commission, and the presidents and secretary-generals of the economic and social councils on the reform of the Treaties, climate change and energy policy.

In addition to drafting opinions, the Committee, in its capacity as spokesman for European civil society, organised a number of large meetings and conferences. These included a conference entitled 'IGC 2007 — Organised civil society has its say on the future of Europe', held on 27 and 28 September and attended, among others, by Ms Wallström and Mr Lobo Antunes, Portuguese State Secretary for European Affairs, which brought together a wide range of civil society organisations from the Member States.

On 17 December the European Economic and Social Committee and the Committee of the Regions signed a new cooperation agreement governing their relations for the years to come.

At 31 December the Committee's establishment plan comprised 695 posts (560 permanent posts and 135 temporary posts), of which 458 were in the services shared with the Committee of the Regions; there were seven posts vacant.

## **Committee of the Regions**

The highlight of the year was the signature in June of the communication policy addendum to the cooperation protocol.

The Committee organised its Bureau meeting and March plenary session in Rome, which enabled it to take part in the festivities to commemorate the signing of the Treaties of Rome. The formal session was attended by a great many leading figures from European and Italian political life, including the President of Italy, Mr Napolitano, the President of the European Commission, Mr Barroso, and the Italian Prime Minister, Mr Prodi. During the plenary the Committee adopted its 'Declaration for Europe', which was presented to the Heads of State or Government in Berlin.

Finally, the Committee organised its fifth open day, from 8 to 12 October, in cooperation with the Commission, which put a great deal of effort into making this event a success.

### ***Plenary sessions***

At its five plenary sessions in 2007, the Committee adopted 35 opinions as a result of mandatory or optional consultations and three own-initiative opinions. It also issued five outlook opinions and drafted an opinion following a referral from the European Parliament.

### ***The Committee's priorities***

- to contribute to shaping the future of cohesion policy;
- to implement the Lisbon agenda;
- to complete enlargement;
- to prepare a new neighbourhood policy;
- to strengthen the local and regional dimension of the area of freedom, security and justice;
- to step up consultation with the European Commission on the practical methods of evaluating respect for the principles of subsidiarity and proportionality, as well as on the financial and administrative impact of Community legislation on territorial communities.

### ***Key figures involved in the work***

In the course of its work in 2007 the Committee welcomed:

- Mr Barrot (February plenary)
- Mr Barroso (March meeting in Rome)
- Mr Rehn (June plenary)
- Mr Piebalgs (June plenary)
- Ms Hübner (June plenary)

- Ms Grybauskaitė (October plenary)
- Mr Borg (October plenary)
- Mr Orban (October plenary)
- Mr Figel' (November plenary)
- Mr Verheugen (territorial dialogue — February)
- Ms Hübner (territorial dialogue — February)
- Mr Frattini (Commission for Economic and Social Policy — June)

The structured dialogue with the voluntary sector covered policies falling within the portfolios of the following Members of the Commission:

- Mr Špidla (September)
- Ms Wallström (presentation of the Commission's work programme — November)
- Ms Ferrero-Waldner (December)

#### ***Important events in the Committee of the Regions calendar***

- conference-debate in the context of Plan D on Union values, entitled 'The European Union: Not only a free trade zone — A community of values', held in Munster (Germany) in May;
- conference on the role of regions and cities in managing migratory flows, held in October in Tenerife, co-organised with the Canary Islands government;
- seminar on European neighbourhood policy in the context of Black Sea synergy, held in December in Hungary;
- round table on cultural tourism in Brussels;
- conference on equal opportunities in Brussels in June; the Committee of the Regions contribution to the European Year of Equal Opportunities for All.

#### ***Cooperation with the Commission***

In accordance with the cooperation protocol, Ms Wallström, Member of the Commission, sent the Committee a list of items from the Commission's work programme for 2007 on which it was hoped the Committee would make a contribution.

## **European Central Bank**

The European Central Bank (ECB) continued to pursue a monetary policy aimed at maintaining price stability in the euro area. Over the period from January to December, its Governing Council raised key interest rates by 50 basis points, with the

ECB's minimum bid rate in main refinancing operations reaching the level of 4.0 % in December. By ensuring price stability, monetary policy is contributing to the promotion of growth and employment in the euro area. Real GDP growth was sustained in 2007 while price pressures remained elevated. In conducting its monetary policy, the ECB continued to ensure transparency by explaining the economic and monetary assessment underlying policy decisions in regular press conferences given by its President, in its monthly bulletin and in other publications and speeches of Governing Council members. In addition, in line with the ECB's statutory reporting obligations, the President appeared before the Committee on Economic and Monetary Affairs of the European Parliament and at a plenary session of the European Parliament. Since the volatility of the financial market in the summer, the ECB has followed developments very closely, in particular through intensified contacts with the central banks concerned. Moreover, the ECB's monetary policy implementation framework allowed it to continue to enforce its monetary policy while some of its features helped the banking sector to withstand the volatile situation on the market.

Following requests by the authorities of Cyprus and Malta, the ECB examined whether these non-euro-area Member States fulfilled the necessary conditions for adoption of the euro in a convergence report published on 16 May. Taking into account the May convergence reports by the ECB and the European Commission, and on a proposal from the Commission, the Council decided to abrogate the derogations of Cyprus and Malta on 10 July, allowing them to adopt the euro on 1 January 2008. The ECB, together with the Central Banks of Cyprus and Malta, undertook the necessary preparations for the entry of Cyprus and Malta into the euro area, including a joint communication campaign on the euro banknotes and coins.

Target, one of the world's largest payment systems, continued to contribute to the integration of the euro money market and to play an important part in the smooth implementation of the single monetary policy. On 1 November Target2, the next generation of the system, went live. The ECB also continued to explore the setting-up of a new service that would allow the harmonised settlement of securities transactions in euro in 'central bank' money (Target2-Securities) and decided to start work on CCBM2, the next generation of the integrated facility for the settlement of euro collateral transactions. The ECB continued to cooperate closely with the European Commission in the process leading to the realisation of the single euro payments area (SEPA) and to encourage the European banking industry and the other relevant stakeholders to create the conditions for the introduction of SEPA as of 2008 and its realisation by the end of 2010.

The ECB continued its work in the field of prudential supervision and financial stability, inter alia by monitoring and analysing the main developments in banking and finance, developing new areas of cooperation between central banks and other supervisory authorities, as well as contributing to the further development of the framework for financial regulation. In the field of crisis management, the ECB contributed actively to the reflections at Community level, under the aegis of the Economic and Financial

Committee, to enhance the existing arrangements for the management and resolution of cross-border financial crises. In this context, in July the ECB organised a conference on simulating financial instability, which dealt with the topics of macro stress-testing and the organisation of financial crisis simulation exercises.

The ECB continued to monitor the progress of financial integration in the euro area and published the first issue of a new annual publication entitled 'Financial integration in Europe'. The main purpose of this report is to contribute to advancing European financial integration. In addition, the report aims to raise public awareness of the Eurosystem's role in supporting this European Union objective. The report contains the latest version of the set of financial integration indicators that are published every six months on the ECB website.

The ECB, assisted by the national central banks, continued to develop, collect, compile and disseminate a broad range of statistics which support the monetary policy of the euro area and various tasks of the European System of Central Banks. In 2007 a major milestone in the ECB's medium-term strategy for statistics was reached, with the first joint ECB–Eurostat publication of a set of quarterly integrated non-financial accounts for the institutional sectors of the euro area. Moreover, the ECB continued to act as a catalyst of the short-term European paper initiative (STEP), a market-led project aimed at improving integration of the European secured money markets. In April the ECB started publishing daily STEP yield statistics and in July it also released daily euro-area yield curves for the first time on the Internet. Also in July the ECB adopted Regulation (EC) No 958/2007 concerning statistics on the assets and liabilities of investment funds (ECB/2007/8).

Following the successful introduction of euro banknotes in 2002, the ECB continued its work on planning the second series, to be issued gradually in a few years' time.

The ECB continued to take part in the activities of a number of European and international institutions and forums. The President of the Eurogroup and a Member of the European Commission participated in meetings of the Governing Council. The President and the Vice-President of the ECB also participated in meetings of the Eurogroup, which continued to serve as an important forum for an open and informal policy dialogue between the ECB, the finance ministers of the euro-area countries and the Commission.

The ECB continued to deliver opinions on legislative proposals by the Community and the Member States in its fields of competence. The ECB's activities are explained in detail in the reports it has drawn up under Articles 15.1 and 15.3 of the Statute of the European System of Central Banks and of the European Central Bank.

## **European Investment Bank**

The mission of the EIB Group is to help achieve the European Union's general policy objectives by financing viable investments.

The strategic guidelines approved by the Board of Governors in 2005 aim to provide more value added in support of Union policies. This strategy has led to a set of objectives being drawn up in the Bank's corporate operational plan for 2008–10.

Six strategic priorities have been drawn up for the Member States: economic and social cohesion and convergence, support for innovation, development of the trans-European networks, protection and improvement of the environment, support for small and medium-sized enterprises and promotion of sustainable, competitive and secure energy.

The Bank is also active in the European Union's partner countries in accordance with the lending mandates renewed by the Council in December 2006.

In 2007 the Bank granted loans totalling EUR 47.8 billion. In the Member States and EFTA countries operations came to EUR 41.4 billion.

In the Union's partner countries operations came to EUR 6.4 billion, allocated as follows:

- EUR 2.9 billion in the pre-accession countries;
- EUR 230 million in the Union's eastern neighbouring countries;
- EUR 1.4 million under the Facility for Euro-Mediterranean Investment and Partnership;
- EUR 869 million in the ACP countries, OCTs and South Africa;
- EUR 925 million in Asia and Latin America.

The EIB's 2007 annual report will be published on its website after the meeting of the Board of Governors in June 2008.

## **Agencies**

### ***Regulatory agencies***

Work continued in 2007 on the setting-up of two new regulatory agencies.

- The European Chemicals Agency: Regulation (EC) No 1907/2006 of 18 December 2006 concerning the registration, evaluation, authorisation and restriction of chemicals, establishing a European Chemicals Agency, amending Directive 1999/45/EC and repealing Regulation (EEC) No 793/93 and Regulation (EC) No 1488/94 as well as Directive 76/769/EEC and Directives 91/155/EEC, 93/67/EEC, 93/105/EC and 2000/21/EC <sup>(1)</sup>; the Agency is based in Helsinki (Finland).

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<sup>(1)</sup> OJ L 396, 30.12.2006.

- The European Institute for Gender Equality: Regulation (EC) No 1922/2006 of 20 December 2006 on establishing a European Institute for Gender Equality <sup>(1)</sup>; the Agency is based in Vilnius (Lithuania).

### ***Executive agencies***

On 14 December the Commission set up the European Research Council Executive Agency and the Research Executive Agency. The Intelligent Energy Executive Agency, established in 2003, was given broader responsibilities in 2007 and was renamed the Executive Agency for Competitiveness and Innovation <sup>(2)</sup>.

## **Legislative activity**

### ***Co-decision***

In 2007 the Commission presented 100 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 — 120 legislative acts, for most of which the procedure was in progress before 1 January.

A large number of proposals (72) were approved at first reading. Although the list of proposals concluded without the need for a second reading mainly includes technical proposals and consolidated texts, it also includes a number of subjects of wide public interest such as international roaming services on public mobile telephone networks, the definition, description, presentation and labelling of spirit drinks, the visa information system and the exchange of information between Member States on short-stay visas, inland transport of dangerous goods, the European qualifications framework for lifelong learning, and control of the acquisition and possession of firearms.

Interinstitutional cooperation was again boosted this year with the conclusion of the negotiations on a package of 26 basic instruments which had to be brought into line as a matter of urgency with the decision of 17 July 2006 (laying down the procedures for the exercise of implementing powers conferred on the Commission) in order to incorporate the new regulatory procedure with scrutiny. These instruments were included on the agendas of the Parliament's plenary sessions of July and November (agreements at first reading).

Seventeen legislative proposals were adopted at second reading. 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. These included proposals for a programme of Community action in the field of health

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<sup>(1)</sup> OJ L 403, 30.12.2006.

<sup>(2)</sup> Decision 2004/20/EC (OJ L 5, 9.1.2004), as amended by Decision 2007/372/EC (OJ L 140, 1.6.2007).

and consumer protection (2007–13), the regulation on public passenger transport services by rail and by road, the specific programme on drugs prevention and information, and the coordination of certain provisions laid down by law, regulation or administrative action in Member States concerning the pursuit of television broadcasting activities ('television without frontiers').

Significant progress was made in the case of a number of proposals and it should soon be possible to bring them to a successful conclusion; they include the European Institute of Innovation and Technology, the implementation of the deployment and commercial operating phases of the European satellite radionavigation programme (Galileo) and the completion of the internal market of Community postal services. Conversely, very little progress was made on the organisation of working time, agency workers and portability of supplementary pension rights.

The conciliation procedure was used in the case of five proposals: the three railway packages, the law applicable to non-contractual obligations (Rome II), and the financial instrument for the environment. One conciliation procedure is still in progress, on establishing common rules in the field of civil aviation security, but there is a good chance that it will be successfully concluded before the final deadline of 16 January 2008.

At a more general level, by adopting on 13 June a new revised version of the joint declaration on practical arrangements for the co-decision procedure <sup>(1)</sup>, the three institutions strengthened their cooperation with a view to the smooth operation of the co-decision procedure to take account in particular of the increasing importance of agreements at first reading.

### **'Comitology'**

The Commission adopted a number of initiatives during the year designed to implement the reform of the 'comitology' decision <sup>(2)</sup> laying down the procedures for the exercise of implementing powers conferred on the Commission. Having tabled proposals at the end of 2006 with the aim of bringing, as a matter of priority, 26 basic instruments into line with the reform of committee procedures, the Commission moved on to a systematic examination of all the basic instruments in force involving the co-decision procedure with a view to possible adaptation. This 'general alignment' exercise culminated in a communication from the Commission to the European Parliament and the Council, adopted on 23 November, and the subsequent adoption of a number of proposals for regulations, known as 'omnibus' proposals, allowing almost 200 instruments to be adapted to the new committee procedure. (The first proposal was adopted on 23 November, the second and third on 19 December, and the last one will be adopted early in 2008.)

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<sup>(1)</sup> OJ C 145, 30.6.2007.

<sup>(2)</sup> Decision 2006/512/EC (OJ L 200, 22.7.2006).

The Commission also entered into negotiations with the European Parliament with a view to revising the 2000 bilateral agreement on the detailed rules for implementing Decision 1999/468/EC <sup>(1)</sup>. The negotiations were concluded at political level in November. The revised agreement should be formally adopted by the two institutions early in 2008.

### **Statistical data**

The legislative acts adopted, repealed or expiring in 2007 can be found by conducting a search in the updated EUR-Lex <sup>(2)</sup> database.

### **General references and other useful links**

- European Parliament:  
[http://www.europarl.europa.eu/news/public/default\\_en.htm](http://www.europarl.europa.eu/news/public/default_en.htm)
- Council of the European Union:  
[http://www.consilium.europa.eu/cms3\\_fo/showPage.asp?lang=en&id=261&mode=g&name=](http://www.consilium.europa.eu/cms3_fo/showPage.asp?lang=en&id=261&mode=g&name=)
- European Council:  
[http://www.consilium.europa.eu/cms3\\_fo/showPage.asp?lang=en&id=261&mode=g&name=](http://www.consilium.europa.eu/cms3_fo/showPage.asp?lang=en&id=261&mode=g&name=)
- European Commission:  
[http://ec.europa.eu/index\\_en.htm](http://ec.europa.eu/index_en.htm)
- Websites of the Members of the Commission:  
[http://ec.europa.eu/commission\\_barroso/index\\_en.htm](http://ec.europa.eu/commission_barroso/index_en.htm)
- Commission's annual policy strategy:  
[http://ec.europa.eu/atwork/programmes/index\\_en.htm](http://ec.europa.eu/atwork/programmes/index_en.htm)
- European Ombudsman:  
<http://ombudsman.europa.eu/home/en/default.htm>
- Court of Justice, Court of First Instance and European Civil Service Tribunal:  
<http://curia.europa.eu/en/transitpage.htm>
- Court of Auditors:  
[http://eca.europa.eu/portal/page/portal/eca\\_main\\_pages/home](http://eca.europa.eu/portal/page/portal/eca_main_pages/home)
- European Economic and Social Committee:  
[http://eesc.europa.eu/index\\_en.asp](http://eesc.europa.eu/index_en.asp)
- Committee of the Regions:  
<http://cor.europa.eu/en/index.htm>
- European Central Bank:  
<http://www.ecb.eu/home/html/index.en.html>
- European Investment Bank:  
<http://www.bei.org/>
- Agencies:  
[http://europa.eu/agencies/community\\_agencies/index\\_en.htm](http://europa.eu/agencies/community_agencies/index_en.htm)
- Co-decision website:  
[http://ec.europa.eu/codecision/index\\_en.htm](http://ec.europa.eu/codecision/index_en.htm)
- Register of comitology:  
<http://ec.europa.eu/transparency/regcomitology/registre.cfm?CL=en>

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<sup>(1)</sup> Decision 1999/468/EC (OJ L 184, 17.7.1999).

<sup>(2)</sup> <http://eur-lex.europa.eu/en/index.htm>.



# **Budget and financial activities**

## **Implementation of the 2007 budget**

The 2007 budget, the first covered by the 2007–13 financial framework and the first intended for a European Union enlarged to 27 Member States, was adopted by the European Parliament on 14 December 2006.

Seven amending budgets were adopted in the course of the year. A breakdown of the appropriations, taking account of the amending budgets, is included in the annex (colour pages) to this Report.

The commitment appropriations amounted to EUR 126.8 billion and the payment appropriations to EUR 114.2 billion, corresponding to 0.93 % of the gross national income (GNI) of the 27 Member States.

## **Preparation of the 2008 budget**

The preparation of the budget for the 2008 financial year took the form of:

- a preliminary draft approved by the Commission on 2 May;
- a draft established by the Council on 13 July;
- a first reading by the European Parliament on 25 October;
- a second reading by the Council on 23 November.

Parliament finally adopted the budget at second reading on 13 December. It was signed by the President of Parliament on 18 December.

## **Budget review**

In May 2006 the European Parliament, the Council and the Commission agreed that the Commission should undertake a fundamental review of the European Union

budget<sup>(1)</sup>. The review provides a unique opportunity for a thorough assessment of the budget and its financing, free from the constraints of negotiating a financial framework.

On 12 September, as a first step in this reform process, the Commission adopted a communication launching a broad consultation with interested parties at local, regional and national levels, as well as at the European level, to stimulate an open debate on the future challenges facing the Union and the means of directing European Union expenditure to areas likely to produce the greatest benefit<sup>(2)</sup>. On the basis of this consultation the Commission will present a proposal on the budget review for 2008–09.

## Financial regulation

The detailed rules<sup>(3)</sup> for the implementation of Regulation (EC, Euratom) No 1605/2002 on the financial regulation applicable to the general budget of the European Communities<sup>(4)</sup> were last amended by Regulation (EC, Euratom) No 478/2007 of 23 April<sup>(5)</sup>. These new provisions introduce a number of simplifications as regards grants and contract award procedures, boost transparency and improve controls with a view to using Community funds more effectively between 2007 and 2013. These amendments to the implementing rules entered into force on 1 May, the same day as the amendments to the financial regulation.

On 25 April, with the same purpose in mind, the Commission presented a proposal for a regulation<sup>(6)</sup> amending Regulation (EC) No 1653/2004<sup>(7)</sup> on a standard financial regulation for the executive agencies pursuant to Regulation (EC) No 58/2003 laying down the statute for executive agencies to be entrusted with certain tasks in the management of Community programmes.

On 20 July the Commission presented a proposal for a regulation<sup>(8)</sup> amending Regulation (EC, Euratom) No 2343/2002 on the framework financial regulation for the bodies referred to in Article 185 of Regulation (EC, Euratom) No 1605/2002 on the financial regulation applicable to the general budget of the European Communities.

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(1) Declaration 3 attached to the interinstitutional agreement between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management (OJ C 139, 14.6.2006).

(2) SEC(2007) 1188.

(3) Regulation (EC, Euratom) No 2342/2002 (OJ L 357, 31.12.2002).

(4) As last amended by Regulation (EC, Euratom) No 1995/2006 (OJ L 390, 30.12.2006).

(5) OJ L 111, 28.4.2007.

(6) SEC(2007) 492.

(7) OJ L 297, 22.9.2004.

(8) SEC(2007) 1013.

On 7 May the Council endorsed an agreement concluded with the European Parliament and the Commission at a meeting of the budgetary triilogue on 18 April under which the Commission is to submit a report covering all the Community agencies every year with the preliminary draft general budget. A working paper containing all the information on the bodies set up by the European Communities and having legal personality was attached to the preliminary draft general budget for 2008.

On 21 June the Commission adopted a progress report as at 31 March on the modernisation of its accounting system <sup>(1)</sup>.

## Own resources

On 9 January the Commission presented its fifth three-yearly report on the operation of the inspection arrangements for traditional own resources (customs and accounting procedures) for the period 2003–05 <sup>(2)</sup>. The report confirms that inspection activities must continue in the Member States.

In a resolution adopted on 29 March on the future of the European Union's own resources, the European Parliament criticised the shortcomings of the current system, under which these resources depend on Member States' contributions. To remedy this, it is proposing a two-stage reform: in the first phase, the method for calculating these contributions would be considerably simplified, the only criterion would be gross national income and the same percentage would be required of all Member States; in the second phase, starting in 2014, new own resources would be introduced and would gradually replace national contributions.

In a decision adopted on 7 June <sup>(3)</sup> the Council followed up the conclusions of the European Council meeting in December 2005 providing for adjustments to the system of own resources during the period covered by the 2007–13 financial perspective. The main purpose of these adjustments is to reduce the contributions from Germany, the Netherlands, Austria and Sweden over that period as well as the United Kingdom correction. The correction will continue to apply, but has been reduced so that the UK participates fully in the financing of expenditure from the European Union budget (except for agricultural Guarantee Section payments) allocated to the Member States which acceded to the Union after 30 April 2004. This decision should enter into force at the beginning of 2009.

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<sup>(1)</sup> COM(2007) 343 (OJ C 246, 20.10.2007).

<sup>(2)</sup> COM(2006) 874 (OJ C 126, 7.6.2007).

<sup>(3)</sup> Decision 2007/436/EC, Euratom (OJ L 163, 23.6.2007).

## General budget guarantee for borrowing and lending operations

In a regulation adopted on 30 January <sup>(1)</sup> the Council amended the rules governing the method for provisioning the European Union's Guarantee Fund for external actions set up in 1994 to shield the Union budget against shocks due to defaults by third-country debtors. Provisioning now occurs *ex post* — and no longer *ex ante* — and is linked to the outstanding amount of loans granted and guaranteed.

## Audit and internal control

On 7 March the Commission presented its first progress report <sup>(2)</sup> on its action plan towards an integrated internal control framework introduced in 2006 <sup>(3)</sup>. The report emphasises the significant improvements which have been made and which are still ongoing in connection with the overall control strategies in the key sectors of internal policies and the Structural Funds. On 30 May the Commission adopted its annual report to the discharge authority on internal audits carried out in 2006 <sup>(4)</sup>.

### General references and other useful links

- Budget website:  
[http://ec.europa.eu/budget/index\\_en.htm](http://ec.europa.eu/budget/index_en.htm)

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<sup>(1)</sup> Regulation (EC, Euratom) No 89/2007 (OJ L 22, 31.1.2007).

<sup>(2)</sup> COM(2007) 86 (OJ C 181, 3.8.2007).

<sup>(3)</sup> COM(2006) 9 (OJ C 67, 18.3.2006).

<sup>(4)</sup> COM(2007) 280 (OJ C 191, 17.8.2007).

# Institutions and other bodies

## **European Parliament**

Secretariat

Centre européen, plateau du Kirchberg — BP 1601

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 Investment Bank**

100, boulevard Konrad Adenauer  
L-2950 Luxembourg  
Tel. (352) 43 79-1

**European Central Bank**

Kaiserstraße 29  
D-60311 Frankfurt am Main  
Tel. (49-69) 13 44-0

**European Ombudsman**

1, avenue du Président-Robert-Schuman  
BP 403 FR  
F-67001 Strasbourg Cedex  
Tel. (33) 388 17 23 13

**European Data Protection Supervisor**

Rue Wiertz 60  
B-1047 Brussels  
Tel. (32-2) 283 19 00

# Decentralised bodies of the European Union

<http://publications.europa.eu/code/en/en-390500.htm>

- **Decentralised Community agencies (first pillar)**
  - Community Fisheries Control Agency (CFCA)
  - Community Plant Variety Office (CPVO)
  - European Agency for Reconstruction (EAR)
  - European Agency for Safety and Health at Work (EU-OSHA)
  - European Agency for the Management of Operational Cooperation at the External Borders (Frontex)
  - European Aviation Safety Agency (EASA)
  - European Centre for Disease Prevention and Control (ECDC)
  - European Centre for the Development of Vocational Training (Cedefop)
  - European Chemicals Agency (ECHA)
  - European Environment Agency (EEA)
  - European Food Safety Authority (EFSA)
  - European Foundation for the Improvement of Living and Working Conditions (Eurofound)
  - European GNSS Supervisory Authority
  - European Institute for Gender Equality
  - European Maritime Safety Agency (EMSA)
  - European Medicines Agency (EMA)
  - European Monitoring Centre for Drugs and Drug Addiction (EMCDDA)
  - European Network and Information Security Agency (ENISA)
  - European Railway Agency (ERA)
  - European Training Foundation (ETF)

- European Union Agency for Fundamental Rights (FRA)
- Office for Harmonization in the Internal Market (Trade Marks and Designs) (OHIM)
- Translation Centre for the Bodies of the European Union (CdT)
- **Proposed Community agencies (first pillar)**
  - European Agency for the Cooperation of Energy Regulators
  - European Electronic Communications Market Authority <sup>(1)</sup>
- **European Union agencies (second and third pillars)**
  - Eurojust (European Agency for the Enhancement of Judicial Cooperation)
  - European Defence Agency (EDA)
  - European Police College (CEPOL)
  - European Police Office (Europol)
  - European Union Institute for Security Studies (EUISS)
  - European Union Satellite Centre (EUSC)
- **Executive agencies**
  - Education, Audiovisual and Culture Executive Agency
  - European Research Council Executive Agency
  - Executive Agency for Competitiveness and Innovation
  - Executive Agency for the Public Health Programme
  - Research Executive Agency
  - Trans-European Transport Network Executive Agency
- **Joint undertakings**
  - European Joint Undertaking for ITER (fusion energy)
  - SESAR Joint Undertaking (air traffic management)
- **Proposed joint undertakings**
  - Artemis Joint Undertaking (embedded computing systems)
  - ENIAC Joint Undertaking (nanoelectronics)
  - FCH Joint Undertaking (fuel cells and hydrogen)
  - IMI Joint Undertaking (innovative medicines)
- **Other proposed decentralised bodies (first pillar)**
  - European Institute of Innovation and Technology

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<sup>(1)</sup> This new Authority should also take over the tasks of the European Network and Information Security Agency (ENISA).



## Summary of appropriations for commitments (by policy area)

Title	Budget 2006 <sup>(1)</sup>		Budget 2007 <sup>(1)</sup>	
	Commitments EUR	Human resources <sup>(2)</sup>	Commitments EUR	Human resources <sup>(2)</sup> <sup>(3)</sup>
01 Economic and financial affairs	455 408 106	534	494 943 213	559
02 Enterprise	371 736 570	936	510 034 683	1 089
03 Competition	68 370 447	723	71 733 008	751
04 Employment and social affairs	11 910 774 688	786	11 439 308 752	824
05 Agriculture and rural development	54 547 436 518	1 065	54 509 708 026	1 111
06 Energy and transport	1 437 382 957	1 052	1 808 895 383	1 097
07 Environment	326 305 136	613	353 459 123	648
08 Research	3 497 054 472	1 807	3 564 666 233	2 099
09 Information society and media	1 405 764 586	1 185	1 434 653 126	1 202
10 Direct research	329 600 000	2 604	348 472 000	2 694
11 Fisheries and maritime affairs	1 062 038 904	331	955 157 781	349
12 Internal market	56 544 289	509	56 356 692	532
13 Regional policy	28 720 613 582	668	34 834 862 423	701
14 Taxation and customs union	107 126 425	472	110 028 293	513
15 Education and culture	989 517 713	561	1 222 658 358	598
16 Communication	179 883 940	867	201 020 070	1 001
17 Health and consumer protection	529 554 201	772	544 689 734	806
18 Area of freedom, security and justice	591 981 878	423	671 490 292	505
19 External relations	3 439 558 826	2 566	3 574 746 889	2 563
20 Trade	64 798 962	542	71 517 573	560
21 Development and relations with the ACP States	1 081 855 708	2 072	1 243 646 218	2 032
22 Enlargement	2 318 030 155	644	1 064 558 244	540
23 Humanitarian aid	718 983 106	194	749 664 171	219
24 Fight against fraud	63 636 000	402	72 517 000	416
25 Commission's policy coordination and legal advice	159 662 454	1 414	168 735 840	1 475
26 Commission's administration	886 498 581	3 309	987 459 461	3 406
27 Budget	1 141 848 040	547	519 495 894	578
28 Audit	9 714 059	99	9 186 797	103
29 Statistics	117 187 355	777	121 365 032	808
30 Pensions	945 245 000		997 490 000	
31 Language services	346 602 401	3 688	358 927 149	3 764
40 Reserves	229 000 000		734 527 000	
<b>Total Commission</b>	<b>118 109 715 059</b>	<b>32 162</b>	<b>123 805 974 458</b>	<b>33 543</b>
<b>Other institutions (excluding pensions)</b>	<b>2 460 056 437</b>		<b>2 577 189 876</b>	
<b>Total</b>	<b>120 569 771 496</b>		<b>126 383 164 334</b>	

Source: Budget DG

<sup>(1)</sup> Including amending budgets.<sup>(2)</sup> Covers both regular and support staff.<sup>(3)</sup> 2007 preliminary draft budget.

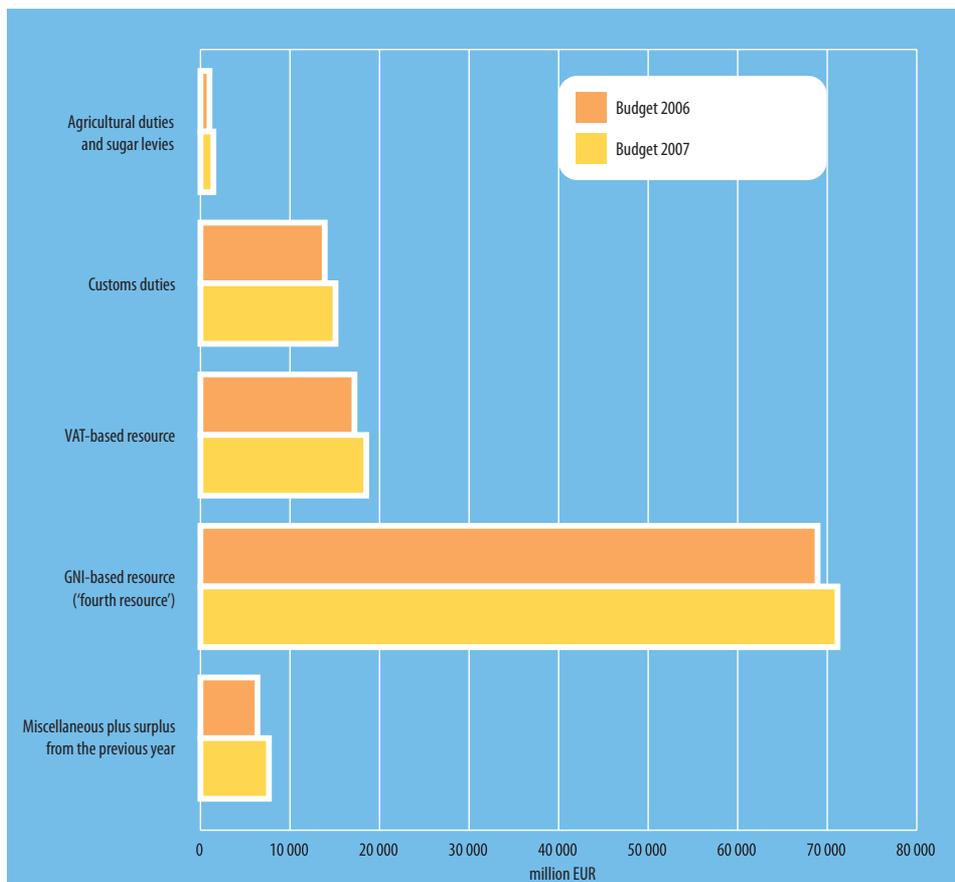
## Figures by financial perspective headings, in commitment appropriations (aggregate)

Appropriations for commitments	Budget 2006 <sup>(1)</sup>	Financial framework 2007	Budget 2007 <sup>(1)</sup>
	EUR	EUR	EUR
<b>1. SUSTAINABLE GROWTH</b>	<b>47 515 445 319</b>	<b>54 405 000 000</b>	<b>54 854 332 015</b>
<i>Margin</i>			
Competitiveness for growth and employment	7 897 689 685	8 918 000 000	9 367 547 511
Cohesion for growth and employment	39 617 755 634	45 487 000 000	45 486 784 504
<b>2. PRESERVATION AND MANAGEMENT OF NATURAL RESOURCES</b>	<b>55 690 657 356</b>	<b>58 351 000 000</b>	<b>55 850 230 036</b>
<i>Margin</i>			
of which: market-related expenditure and direct payments	42 459 970 000	45 759 000 000	42 311 661 000
<b>3. CITIZENSHIP, FREEDOM, SECURITY AND JUSTICE</b>	<b>1 165 318 589</b>	<b>1 273 000 000</b>	<b>1 442 632 099</b>
<i>Margin</i>			
— Freedom, security and justice	553 181 000	637 000 000	623 833 000
<i>Margin</i>			
— Citizenship	612 137 589	636 000 000	818 799 099
<i>Margin</i>			
<b>4. THE EUROPEAN UNION AS A GLOBAL PARTNER</b>	<b>8 520 771 538</b>	<b>6 578 000 000</b>	<b>6 812 460 000</b>
<i>Margin</i>			
<b>5. ADMINISTRATION</b>	<b>6 604 078 362</b>	<b>7 039 000 000</b>	<b>6 978 864 032</b>
<i>Margin</i>			
<b>6. COMPENSATION</b>	<b>1 073 500 332</b>	<b>445 000 000</b>	<b>444 646 152</b>
<i>Margin</i>			
<b>Appropriations for commitments — Total</b>	<b>120 569 771 496</b>	<b>128 091 000 000</b>	<b>126 383 164 334</b>
<i>Margin</i>			
Compulsory expenditure	45 058 959 201		44 232 401 352
Non-compulsory expenditure	75 510 812 295		82 150 762 982
<b>Appropriations for payments — Total</b>	<b>107 378 469 621</b>	<b>123 790 000 000</b>	<b>113 845 815 415</b>
<i>Margin</i>			
Compulsory expenditure	45 075 536 201		44 122 503 852
Non-compulsory expenditure	62 302 933 420		69 723 311 563
<b>Appropriations for payments as percentage of GNI</b>	<b>0.97</b>	<b>1.06</b>	<b>0.95</b>

Source: Budget DG

<sup>(1)</sup> Including amending budgets.

## Breakdown by type of revenue



Type of revenue	Budget 2006		Budget 2007	
	million EUR	%	million EUR	%
Agricultural and sugar levies	1 014.00	0.9	1 449.10	1.3
Customs duties	13 874.90	12.9	15 083.80	13.2
VAT-based resource	17 200.28	16.0	18 517.23	16.3
GNI-based resource ('fourth resource')	68 921.21	64.2	71 153.08	62.5
Miscellaneous plus surplus from the previous year	6 368.08	6.0	7 642.61	6.7
<b>Total</b>	<b>107 378.47</b>	<b>100.0</b>	<b>113 845.82</b>	<b>100.0</b>

European Commission

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The Report is presented to the European Parliament and provides a general picture of Community activities over the past year.





