

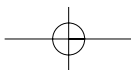
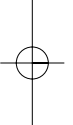
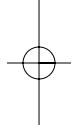
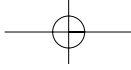


Prospects for the EU in 2005

The UK Presidency of the European Union



*Presented to Parliament
by the Secretary of State for Foreign and Commonwealth Affairs
by Command of Her Majesty
June 2005*





Prospects for the EU in 2005

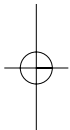
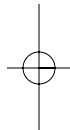
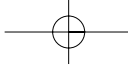
The UK Presidency of the European Union



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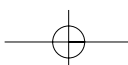


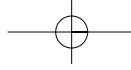
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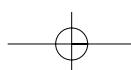
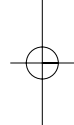
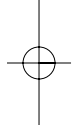
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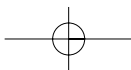
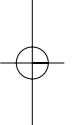
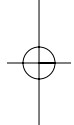
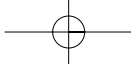




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**FOREWORD BY THE SECRETARY OF STATE FOR FOREIGN
AND COMMONWEALTH AFFAIRS, THE RIGHT HONOURABLE
JACK STRAW MP**

June 2005

The European Union's achievements over its first half-century have been immense. The United Kingdom has benefited hugely from its membership. But all organisations have to adapt just to survive: for the European Union the need for change is especially profound and urgent. The "No" votes in two of the founder member states - France and the Netherlands - the increasing competition faced especially from Asia, and the moral and political imperatives of levering up living standards (and life expectancy itself) in Africa combine to create an environment more challenging for the EU's leaders and politicians than at any stage in its history.

This is the context in which the United Kingdom assumes the Presidency of the EU on 1 July. We have, as do all incoming Presidencies, to continue work on all pending business. That is a heavy workload at any time, but we also have to take on the EU budget negotiations ("Future Financing") after the inconclusive outcome of the European Council on 16-17 June. The Prime Minister has made clear that whilst we have our own national position, we recognise our responsibilities as Presidency, and will do all we can to seek a satisfactory outcome by the year end. Much wider than that, and building on the Prime Minister's speech to the European Parliament on 23 June, we want to see the EU, in all its institutional formations, discussing how to recreate popular consent for the European project, how to ensure that Europe can deliver prosperity and security for all European citizens, and to show that it can deliver.

This White Paper has two purposes. First, to set out clearly the responsibilities involved in holding the Presidency, the main issues that the UK will need to take forward during the Presidency, and where the Government's major priorities lie. Second, it is intended, as part of the continuing series of six-monthly White Papers on the European Union, to ensure that Parliament and public have all the necessary background information on the whole breadth of the EU's agenda over the remainder of 2005. I hope very much that it will contribute to an informed debate about the European Union and its work, central as it is to the UK's prosperity, wealth, and capacity to influence the world.



JACK STRAW
SECRETARY OF STATE
FOR FOREIGN AND COMMONWEALTH AFFAIRS

INTRODUCTION: THE UK PRESIDENCY OF THE EU

1. This White Paper supplements, in the usual way, the White Paper *Prospects for the European Union in 2005* (Cm 6450) published and presented to Parliament on 3 February 2005. In many cases full explanations of the background to particular dossiers are to be found in that White Paper.
2. But this White Paper is also special, because it covers the six-month period of the UK's Presidency of the European Union. It sets out the likely business for the EU over that period, and explains how the UK, as Presidency, aims to take it forward.

The UK Presidency of the European Union

3. The United Kingdom assumes the Presidency of the Council on 1 July 2005. The UK has worked closely with other Presidencies, particularly those of Luxembourg and Austria, and with the European Commission, to ensure continuity. As President of the Council, the Government is conscious of the need to work in partnership with the European Parliament, the Commission and the other Member States.
4. The formal responsibilities of the Presidency fall into three main categories:
 - Chairing the European Council, the Council of Ministers and most of the many other Council formations in Brussels and Luxembourg;
 - Representing the Council in its dealings with the other European institutions (in particular the European Commission and the European Parliament);
 - Representing the Council in its relations with the rest of the world (for example at Summits and other high level meetings with third countries).
5. The calendar of major meetings during the UK Presidency is annexed to this White Paper. Final decisions on meetings of the European Council (Heads of State or Government) have not yet been taken. There are likely to be meetings in October or November and on 15-16 December, depending on the major political discussions required. We plan to have 25 formal Council meetings in Brussels or (in October) Luxembourg and a dozen Informal Council meetings in the UK. There will be five Summit meetings with third countries - India, China, Russia, Ukraine, and Canada – plus a hundred or so other meetings with third countries. And there will be about 4000 working group (expert-level) meetings, almost all in Brussels.
6. Information on every aspect of the Presidency can be found on the official Presidency website at www.eu2005.gov.uk.

7. The main policy priorities for the UK Presidency reflect the issues identified in the cross-Presidency Multiannual Strategic Programme for 2004-06, published in December 2003, and the Luxembourg-UK work programme published in December 2004. They are as follows.

The Future Financing of the European Union

- Future financing The UK Presidency will take forward the discussions, drawing on progress made to date, and with a view to resolving all the elements necessary for an overall agreement as soon as possible. The Presidency will first consult all interested partners on the way forward. (See paragraphs 18-22.)

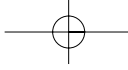
Economic Reform and Social Justice

- Better Regulation The Inter-Institutional Agreement on Better Law-Making demonstrated the commitment of the Parliament, Commission and Council to improving the regulatory environment in Europe. The UK Presidency will work to implement it fully. The wider goal is to ensure that policy-making and legislation in the EU is more effective, takes account of European competitiveness and does not impose unnecessary burdens on business or on job creation, building on the agenda set out in the Commission Communication on Better Regulation. (See paragraph 30.)
- The Services Directive The UK Presidency will build upon the work done by the Dutch and Luxembourg Presidencies to take forward this ambitious proposal to open up trade in services across the EU, potentially generating hundreds of thousands of jobs and billions of euros for the EU economy. (See paragraph 27.)
- Post-Financial Services Action Plan The UK Presidency will work to ensure that the remaining dossiers in the Financial Services Action Plan are adopted efficiently, and will take forward the debate on the Commission's recent Green Paper on the post-FSAP agenda. (See paragraph 28.)
- Environment and sustainable development The EU needs growth which does not compromise the quality of life of future generations. Discussions on the review of the EU's sustainable development strategy will start under the UK Presidency. The Presidency will aim to make progress on all three dimensions of the strategy – social, environmental and economic – with the aim of producing a balanced and forward-looking strategy. Work on continuing improvement of the environment for all Europeans will include taking forward proposals on air quality standards, with the aim of reducing pollution and improving life expectancy. (See paragraphs 51-60.)
- The Chemicals Regulation (REACH) The UK Presidency will aim to make significant progress in discussions on the Chemicals Regulation (REACH), to ensure that the Regulation promotes public health, the environment and competitiveness. (See paragraph 59.)

- The EU's relationship with the US Within a wider framework of a renewed transatlantic agenda, strengthening the economic partnership will be a particular priority. (See paragraphs 87-88.)

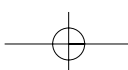
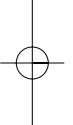
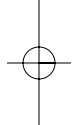
Europe's role in the world

- Doha Development Agenda The WTO Ministerial meeting in Hong Kong in December will aim to take forward the current round of trade talks, known as the Doha Development Agenda. The Government will work with the Commission, EU partners, and the European Parliament so that the EU achieves the best possible result at that meeting. (See paragraphs 102-103.)
- Development and Africa The Presidency will represent the EU at the UN Millennium Review Summit in September, and help the EU provide the leadership and the quantity and quality of aid needed to tackle global poverty and achieve the Millennium Development Goals. The EU will also develop a strategy towards Africa in the light of the Millennium Summit's outcome (See paragraphs 72-78.)
- Climate change The Government wants to make progress on climate change through the EU and G8 Presidencies, with the aim of reinvigorating the international negotiations on climate change. (See paragraphs 51-57.)
- Sugar reform Changes to the EU's sugar regime, on the basis of the Commission's proposals for radical reform of the sector, will be an important element of the ongoing reform of the Common Agricultural Policy. The UK Presidency will aim to bring these discussions to a conclusion on a reforming basis, in a way which helps African, Caribbean and Pacific (ACP) countries adjust successfully, and puts the EU in a better position to contribute to an ambitious outcome in the world trade talks. (See paragraphs 46-47.)
- Russia and Ukraine The EU will continue to build its partnership with Russia. The UK Presidency will take this forward in a way that is based on common European values and reflective of the EU's interests in the common neighbourhood. Events in Ukraine last year marked a watershed for democracy there. The UK Presidency will continue to develop the EU's relationship with Ukraine on the basis agreed earlier this year, reflecting Ukraine's progress in implementing reform. (See paragraphs 81-84.)
- Peace, stability and reform in the Middle East The EU will continue to work with the US and other international partners to play a major role in the Middle East, in particular as a member of the Quartet for the Middle East Peace Process. The UK Presidency will also take forward the developing EU role in supporting the transition in Iraq, building on the successful EU-US sponsored conference on Iraq. The Presidency will also use the tenth anniversary of the Barcelona Process to deepen the EU's partnership with the region, supporting reform efforts. (See paragraphs 97-99.)



Security and Stability

- Counter-Terrorism and Security The UK Presidency will help all Member States to work together, and to cooperate with other countries, to fight terrorism, within the framework of the commitments made in the Hague Work Programme and the EU Counter-Terrorism Action Plan. The UK Presidency will also take forward work to reinforce security within and outside the EU, focusing on organised crime and illegal immigration. (See paragraphs 61-68 and 105.)
- Enlargement The UK Presidency will work to deliver the EU's commitment to open accession negotiations with Turkey on 3 October; prepare for Bulgarian and Romanian entry in January 2007; and be ready to open accession negotiations with Croatia as soon as the conditions have been met. (See paragraphs 11-17.)



PART ONE: INSTITUTIONAL ISSUES AND ENLARGEMENT

The EU Constitutional Treaty

8. The Constitutional Treaty was signed in Rome on 29 October 2004. Member States committed themselves to try to bring it into force on 1 November 2006. However, as is well known, in referendums held in France on 29 May and in the Netherlands on 1 June, the French and Dutch people voted against ratifying the Treaty. Ten other Member States have approved the Treaty, one (Spain) by referendum.
9. The Government has made clear that the UK would only ratify the Constitutional Treaty by means of a referendum. Accordingly, the Government introduced an EU Bill to Parliament in January. The Bill provided for the necessary amendments to the 1972 European Communities Act and, after the Parliamentary debate, for a binding Referendum in the UK and Gibraltar. The Bill had its Second Reading in the Commons on 9 February but was lost because of the General Election. It was reintroduced on 24 May. On 6 June the Foreign Secretary announced that, pending clarification of the situation after the French and Dutch referendums, a date would not be fixed for Second Reading in the House of Commons.
10. The European Council addressed the situation on 16-17 June. It agreed a Declaration making clear that a period of reflection was needed on the Referendum results, and that this should be used for a wider debate on Europe, involving citizens and civil society. It agreed that the ratification timetable in different Member States could, if necessary, be adapted in the light of developments and according to Member States' circumstances. The European Council would look again at the situation in the first half of 2006 to take stock of the national debates and to agree on next steps. The Danish Government announced the cancellation of its referendum, planned for 17 September, at the same time. The Portuguese and Polish Governments have also indicated that they would not be holding referendums tentatively planned for autumn 2005.

Enlargement

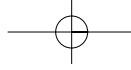
11. Enlargement has remained a central element of the EU's external engagement during 2005. The June 2005 European Council reaffirmed its commitments on enlargement and highlighted the need to implement them fully. The Government strongly supports the continuing enlargement of the Union to the countries listed below, provided that they meet the necessary conditions.
12. **Bulgaria** and **Romania** signed a joint Accession Treaty with the EU on 25 April this year. Their accession is scheduled for January 2007. Both countries still have much to do to prepare for EU membership, particularly in implementing the commitments undertaken during the negotiation process. If either country is unprepared to meet the requirements of membership, the EU can push back accession by one year. The Commission will produce reports assessing the preparedness of both countries in the autumn.

13. The UK Parliament will consider a Bill providing for the Accession of Bulgaria and Romania, by making the necessary amendments to the Accession Treaties, in due course.
14. The December 2004 European Council decided that **Turkey** sufficiently fulfilled the Copenhagen political criteria (the criteria against which a country's readiness to open accession negotiations with the Union is judged) and agreed to open negotiations on 3 October 2005, provided that Turkey brought into force specific pieces of outstanding legislation and signed the Protocol extending the Ankara (EU/Turkey Association) Agreement to the new Member States. Turkey also has to maintain its progress in reforming human rights and implementing the rule of law. It will be for the UK Presidency to prepare the framework for these negotiations, on the basis of a proposal from the Commission and, provided the conditions are met, to launch them on schedule.
15. The December European Council decided that negotiations with **Croatia** should open on 17 March, provided that it cooperated fully with the International Criminal Tribunal for the former Yugoslavia (ICTY). Member States thereafter agreed a negotiating framework for Croatia, but then agreed to defer the opening of negotiations, because of the lack of full co-operation with ICTY. The Government hopes the Croatian Government will move quickly to address these outstanding concerns, in particular through greater efforts to locate and transfer fugitive ICTY indictee General Ante Gotovina to the Tribunal, so that negotiations can open.
16. **Macedonia** applied to join the EU on 22 March 2004. The Commission is assessing its application against the established criteria and is likely to issue its opinion in the autumn.
17. The UK strongly supports the membership aspirations of all the countries in the **Western Balkans**, but they must fulfil the political criteria like any other EU applicants. This includes co-operation with ICTY. The EU's approach to the region remains the Stabilisation and Association process (SAP), a step-by-step conditional approach based on aid, trade preferences, dialogue, technical advice and, ultimately, contractual relations.

PART TWO: INTERNAL ISSUES

The Future Financial arrangements for the Union

18. The annual EU budget is determined within a multi-annual framework or “Financial Perspective” agreed by the Council, Commission and Parliament. Discussions on the next Financial Perspective, which will run from 2007 to 2013, have been under way since February 2004, on the basis of proposals from the Commission. The final deal must be agreed unanimously.
19. The Commission proposed a large increase in the overall size of the EU budget – to €1,025bn over the seven years, amounting to 1.24% of EU Gross National Income (GNI). The Commission proposals set out five different expenditure headings:
 - Heading 1: Sustainable Development (47% of the overall budget) including competitiveness (Heading 1a, 13%) and cohesion (Heading 1b, 34%);
 - Heading 2: Management of natural resources (39%) of which 74% is market support and direct payments under the Common Agricultural Policy;
 - Heading 3: Citizenship, freedom, security and justice (2%);
 - Heading 4: External action: the EU as a global partner (9%); and
 - Heading 5: Administration (3%).
20. On the revenue (Own Resources) side, the Commission proposed various options for an EU tax in the medium term. It also proposed the replacement of the current correction system (which includes the UK ‘abatement’) with a “Generalised Correction Mechanism”. This would have the effect of sharing out the value of the UK abatements among all net contributors above a certain level. This would make the UK the biggest net contributor to the EU by 2013.
21. Negotiations continued actively during the Luxembourg Presidency, on the basis of a “negotiating box”, a text setting out the main elements of a deal. The Presidency attempted to secure an overall deal at the European Council of 16-17 June. However, the Presidency proposal was unacceptable to the UK and four other Member States (the Netherlands, Sweden, Finland, and Spain). It did not commit the EU to a fundamental review of its expenditure, and it proposed a budget ceiling of 1.06% of EU GNI and changes to the UK’s abatements which would have led to an unacceptably high UK net contribution. The UK rejected it accordingly.
22. The European Council invited the UK Presidency to take these discussions forward, taking advantage of the progress made hitherto, in order to find a solution on all the elements needed to conclude a deal as soon as possible. The UK will now seek to do so. The Government will do its best to secure an agreement and to make sure that it is one which meets the needs of the new Member States. Once a deal is reached, the Council must still negotiate an “Interinstitutional Agreement” (IIA) with the European Parliament. The IIA sets out the spending ceilings and budgetary procedures necessary for the Financial Perspective to come into effect.

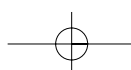


Structural and Cohesion Funds

23. As part of the future financing negotiations, the Council is discussing the future of European Structural and Cohesion Funds (SCF). In its 2004 proposal, the Commission proposed a 30% increase to the SCF budget, with a roughly even split in funding between new Member States and EU15 Member States, and generous transitional arrangements for regions in the richer Member States. The UK favours a model under which resources would be more heavily concentrated on the EU's poorest Member States.
24. Within the framework of these overall negotiations, the UK Presidency will take forward the process of agreeing new SCF Regulations, which set out the detailed implementation provisions and spending mechanisms for each fund. The new regulations should come into effect when the current regulations expire at the end of 2006. As well as the overall allocation of funds between objectives, Member States will discuss options for simpler and more flexible implementation and monitoring arrangements for SCF to ensure that they are consistent with the EU's economic reform and sustainable development agendas.

Economic Reform and Social Justice

25. Work in this area will be a priority for the UK Presidency, as the Prime Minister made clear in his speech to the European Parliament on 23 June. It will go forward on the basis of the agreement at the 22-23 March Spring Council, the mid-point in the EU's ambitious "Lisbon" 10-year economic reform programme, on a reform plan focused on boosting "jobs and growth" across Europe. The proposals prioritised by the Commission included measures to strengthen the Internal Market, boost R&D and EU trade and competitiveness, to improve the regulatory environment and to support flexible labour markets and the development of human capital. These are all UK priorities. During the Presidency, the UK will work with the Commission and EU partners to advance this agenda.
26. The UK will also be working to ensure that the streamlined system of Lisbon governance, endorsed at the Spring Council, is implemented effectively. This system is intended to advance the agenda agreed in Lisbon in March 2000 to make the EU the most competitive knowledge-based economy in the world by 2010. The Commission has requested that Member States draft a brief Lisbon National Reform Programme by 15 October 2005. This will be a high-level political document identifying key national actions to secure progress towards Lisbon objectives. These Programmes will be subject to regular peer review - so that all Member States can work together to share best practice.
27. Discussions will continue on the draft **Directive on Services in the Internal Market**. As services account for around two-thirds of EU GDP, this measure is an opportunity to make one of the biggest improvements to the Single Market since its original creation, potentially generating hundreds of thousands of jobs and billions



of euros for the EU economy. Europe has a strong service sector and businesses and consumers throughout the EU – including in the UK – would be well placed to take advantage of increased trading opportunities. The draft Directive aims to create an effective internal market in services, which removes trade barriers while safeguarding areas crucial to the public interest. The European Parliament should complete its first reading in the autumn, and the Government then expects the Commission to issue revisions to the proposal – the basis for further work under the Presidency in both Parliament and Council.

28. The Commission's Green Paper on **Financial Services** published on 2 May sets the agenda for EU Financial Sector reform for 2005-10. Its overall focus is one of consolidation, with few new legislative initiatives. Instead it points to better implementation and enforcement of existing measures affecting the financial services sector as the overall priority. Better financial sector regulation, strengthening the dialogue between EU and US markets and deepening relationships with China, Japan and possibly India are highlighted as priorities to improve the global competitiveness of the EU's financial services industry. The Government strongly supports the approach outlined, and will be working during the UK Presidency to take it forward. The Government will also try to have the remaining dossiers in the Financial Services Action Plan adopted efficiently and in a form that protects and promotes the global competitiveness of the EU's financial services sector. A Commission White Paper is expected in November.
29. The UK Presidency will press ahead with the modernisation of the **VAT system** so that it keeps pace with technological change and globalisation to ensure that VAT can continue to fund essential public services. We will do this by modifying the underlying rules to ensure that services at the forefront of technological change - such as broadcasting, telephony and the internet - are taxed at the place of consumption and putting in place business-friendly arrangements to facilitate this. These changes are widely though not unanimously supported across the EU, so the Government will continue discussions with the aim of building consensus behind the case for change.
30. The Inter-Institutional Agreement on Better Law-Making demonstrated the commitment of the European Parliament, Commission and Council to improving the regulatory environment in Europe. This also remains a top priority for the UK Government. Günter Verheugen, Vice President of the Commission for Enterprise and Industry, has pledged to make **reducing EU red tape** his personal trade mark. Working closely with the Commission, Parliament and Member States, the Government will be focussing on three important reform areas during the UK Presidency. First, we must improve the policy making process with better consultation and impact assessments, which will include testing all regulatory proposals in the Commission's 2005 work programme for their impact on competitiveness. Second, the EU will launch in October a major new programme to reduce the volume and complexity of EU legislation in order to ease the burden on business. Third, the UK will aim to reach agreement among Member States and the

Commission on a common methodology for the measurement of the administrative burden of legislation, which, once agreed, would be included in all impact assessments. This work will form an important contribution to Government efforts to ensure that EU legislation is consistent with the risk based approach to enforcement, recommended in the Hampton and Arculus Reports, endorsed by the Prime Minister and Chancellor in March this year. These reports look at measuring the administrative costs of regulation and reducing them by means such as eliminating overlapping information requirements and cutting back on unnecessary inspections.

31. The **Working Time Directive** (WTD), which sets maximum working hours, will remain a priority for the Government. The UK, as Presidency, will continue to work for a European solution that preserves the freedom of individual workers to choose to work more than 48 hours per week and mitigates the impact of rulings on Working Time from the European Court of Justice on Governments' ability to deliver high-quality health and public services.
32. The UK Presidency should see the completion of the Commission's review of the guidelines for **regional aid**, and substantial progress on the Commission's review of other **state aid** instruments that ensure Member States do not distort competition by providing excessive aid to domestic industries. The new instruments should result in less and better-targeted state aid - while maintaining necessary flexibility - as well as taking into account the realities of an enlarged union. The Commission is also working on sectoral investigations of the effectiveness of competition in the EU's energy and financial services markets.
33. In March, the European Council endorsed an agreement by EU Finance Ministers on reform of the **Stability and Growth Pact** (SGP), the EU's fiscal framework. The reformed Pact aims to enhance its economic rationale and takes greater account of country-specific factors, including debt sustainability, the stage of the cycle and the important roles of structural reform and public investment. The UK, as Presidency will continue to work with the Council and the Commission to ensure the reformed Pact is implemented effectively.
34. By the end of the year, the Commission will publish its proposal for a revision of the **Television Without Frontiers Directive**, the EU's main legislative instrument in broadcasting. The current Directive enables the free movement of television services within the EU and was last revised in 1997. The Commission's new proposal will amend the Directive to take account of the development of new media technologies during the last 10 years.
35. Negotiations will continue on European funding programmes for **Culture and Media**, which aim respectively to promote cooperation between EU cultural organisations and to support the development of the European film industry. The UK also plans to take forward negotiations on the Commission's proposal to revise the procedures for selecting European Capitals of Culture.

36. The Commission's proposal on the **2007-2013 Framework Programme for Research & Development**, published on 6 April, aims to increase the competitiveness of EU industry and underpin a range of other EU policies by funding research. Our Presidency will see negotiations continue on the detail of this programme, to ensure European value added and a clear focus on outcomes, and to make the system more user-friendly, all within the wider context of the future financing negotiations (see paragraphs 18-22). The EU will also respond to the Commission's **i2010 programme**, which will lay out the progress Member States have made on the contribution that information communication technology makes to their National Reform Programmes (see paragraph 26). 2005 is also likely to see the adoption of a **European Space Programme** - an overarching framework for managing European space activities.
37. The Government expects progress this year on a Directive pulling together and simplifying existing European legislation on **gender equality and equal treatment**, which will clarify rights and responsibilities for individuals, employers and service providers. Work will continue on a new **European Gender Institute**, which will co-ordinate and implement EU work on equal opportunities for men and women.

Transport

38. Transport at the EU level sets the framework for the free movement of goods and vehicles, establishes rights and safeguards for the travelling public, promotes environmental protection and coordinates investment plans for Europe-wide infrastructure. During the next six months Ministers will discuss new proposals on Europe-wide rights for aviation passengers of reduced mobility, and there will be a sharing of Member States' latest experience in road safety. The UK Presidency will try to reach agreement with the European Parliament on revised legislation underpinning the free movement of lorries across the EU, specifically the rules when lorries are charged for their use of roads (the **Eurovignette Directive**) and the rules on **HGV drivers' rest periods and driving hours**. Negotiations on a "**third rail package**" will continue, moving on now to those measures designed to modernise international passenger services. EU transport also looks outward to the wider world, and the UK Presidency will have a role in this direction too: we will provide time for further discussion of **aviation agreements** between the EU and other countries, and we will discuss a voluntary agreement with the EU shipping industry to promote careers in the maritime sector at sea and on shore.

Education

39. As Presidency, the Government hopes to make good progress in negotiations on a proposed new EU **integrated lifelong learning programme for 2007-2013**, which will support the Lisbon goals through the contribution of lifelong learning and improving employability and social cohesion. We also hope to make good progress in negotiations on the proposed **Youth in Action programme for 2007-2013**, which will support youth exchanges.

40. The UK will seek to focus discussions in the Education Council on the contribution that education and skills can make to improving productivity and competitiveness. The Council will prepare a report, to be finalised under the Austrian Presidency next year, on **education and training and Lisbon**. There will be discussions on the contribution of universities to the economy. The Youth Council will discuss the implementation of the Commission's proposals for a European Pact for Youth, which seeks to address the needs of young people in the areas of employment, education and training.

Health

41. 1 September 2005 will see the UK introduce the **European Health Insurance Card**, which will replace the E111 form. It will help to simplify procedures without changing any existing rights or obligations. The introduction of the card is part of the EU's overall aim of removing obstacles to geographic mobility, which the UK strongly supports.
42. Negotiations will continue on the European Commission's proposal for a regulation on **medicines for paediatric use**. Discussions have been under way since the Dutch Presidency last year. The proposal aims to improve the health of European children by improving the research, development and authorisation of medicines for children's use.
43. The UK Presidency will continue any necessary work to gain common positions on the proposed regulations on **nutrition and health** claims made on foods and the addition of vitamins and minerals and other substances to foods. We will also look for agreement on food additives.
44. Discussions will continue on the European Commission's proposal for a Programme of Community action in the field of **Health and Consumer protection** 2007-2013. The proposal brings together the public health and consumer protection programmes for the first time and sets out the work programme and budgets for both areas.
45. The UK Presidency will take the necessary steps to work with the European Commission and the European Centre for Disease Prevention and Control, to prepare for a pandemic flu outbreak.

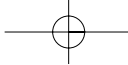
Agriculture and Fisheries

46. Reform of the **EU's sugar regime** will be the next step in the continuing reform of the Common Agricultural Policy. The sugar sector needs to be brought into line with the decoupled, market-based approach already agreed for most other sectors. Changes are also needed to ensure that the regime is fully consistent with the EU's existing international obligations and flexible enough to respond to further liberalisation as part of the World Trade Organisation Doha Round. The Commission proposals published on 22 June are designed to achieve this through a radical narrowing of the gap between EU and world prices and an efficiency-led restructuring of the EU industry leading to reduced production.

47. As Presidency, the Government will aim to reach agreement at the November Agriculture Council. This would not only produce significant welfare gains for the EU economy but would also put the EU in a better position to contribute to an ambitious outcome in the Doha trade round. Integral to a satisfactory reform are good, timely, transitional arrangements, which are acceptable to the African, Caribbean and Pacific (ACP) countries and which effectively help them adjust to the reform.
48. The UK Presidency hopes to agree the EU **Strategy for rural development**. This strategy is important for improving environmental outcomes in agricultural schemes. Work may also start on amending legislation on spirit drinks, dairy products and protected geographical indications (which ensure that only products meeting a geographically defined specification – like Stilton or Roquefort – can use that label).
49. The UK Presidency will take forward the Transmissible Spongiform Encephalopathy (TSE) regulation and the forthcoming Commission TSE Strategy paper. The Agriculture Council should also finalise rules on avian influenza and take forward proposals on fish diseases and on the welfare of broiler chickens (chickens reared for meat). The Council will review the EU system for authorising pesticides and consider the Commission's Thematic Strategy on the sustainable use of pesticides.
50. The most important item on the **fisheries** agenda will be to agree the Total Allowable Catches and Quotas Regulation for 2006. Negotiations will begin in the autumn and be concluded at the December Fisheries Council.

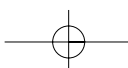
Environment and Sustainable Development

51. Urgent action is needed to tackle **climate change** at a global level. National or even regional action alone will not be sufficient. The UK's EU and G8 Presidencies will be important for making progress.
52. The March European Council emphasised the Union's determination to reinvigorate international climate change negotiations by: exploring in the UN context the options for international follow-up to the Kyoto Protocol (which sets national and regional targets to reduce greenhouse gas emissions up to 2012); developing an EU medium and long term strategy to combat climate change; and promoting cost-efficient measures to cut emissions. The Council agreed that the Union should explore with other countries reduction pathways for developed countries in the order of 15%-30% by 2020, and that further work should be done on longer term reduction pathways to 2050.
53. Within this context, the Government plans to deepen the EU's dialogue on climate change with other countries through discussions at the planned EU Summits with India, China, Russia and Canada. The EU hopes the next UN Climate Change



Conference in December in Montreal will agree to start negotiations on further international action to tackle climate change after 2012. The UK Presidency will have the responsibility of representing the EU's position at that Conference. The Government expects to underline the scale and urgency of the challenge of climate change, the benefits of market-based approaches to reducing emissions at least cost, and the EU's willingness to explore with other parties all effective options for follow up to Kyoto.

54. Under the **EU Action Plan on Climate Change and Development Cooperation**, the Government will take forward work on integrating climate risk within the EU's development assistance and working with vulnerable developing countries, particularly in Africa, to improve scientific monitoring to assist them in identifying and managing climate impacts and risks.
55. Within the EU, the Commission will produce a Communication in July on tackling **aviation emissions**, and discussion will then begin in the Council during the UK Presidency. The international aviation sector is an increasing source of greenhouse gas emissions that cause climate change, but has so far remained outside the Kyoto Protocol framework. The EU is already committed to taking action on aviation emissions. The UK would prefer to do so through a well-designed emissions trading system.
56. The EU should make progress on many other policies which help to address greenhouse gas emissions. All of these will contribute to the EU's medium and long term climate change strategy. These include working in the Energy Council on the Energy Commissioner's **Energy Efficiency Initiative** following publication of the new Green Paper on Energy Efficiency, 'Doing More With Less'; launching the next phase of the European Climate Change Programme (which sets out the policies needed for the EU to meet its climate change targets); taking forward a Regulation and a Directive on Fluorinated Gases (which will control the use of these gases, which can contribute to global warming); progress on the Energy End-Use Efficiency and Energy Services Directive; consideration of financial mechanisms for funding the climate change agenda; and considering the impact of climate change on agriculture.
57. We expect the European Commission to release detailed proposals for the review of the EU's **Sustainable Development Strategy** in the autumn. The review aims to communicate the Union's strategy better through the production of a single, coherent document. It should bring together both the internal and the external aspects of the EU's sustainable development policy. The UK Presidency will aim to make good progress on the review, clarifying the role of growth and employment in delivering on environmental and social objectives and to achieve buy-in from across the economic, social and environmental spectrum by inviting input from a broad range of Council formations. At an international level, the EU will aim to ensure that the outcomes of the Millennium Review Summit in September attach sufficient importance to environmental sustainability. The EU will also aim for agreement to specific actions that will speed up implementation of sustainable development goals, especially: the



Millennium Development Goals (see paragraphs 72-73), the agreements made at Doha in 2001 (see paragraphs 102-103), and the commitments made in 2002 at the World Summit on Sustainable Development in Johannesburg and the Conference on Financing for Development in Monterrey. The EU will also support the Secretary General's call for the international community to consider a more integrated structure for global environmental governance, with a view to the possible upgrading of the UN Environment Programme to a specialised agency. As Chair, the UK will aim to provide a strong and clear voice for the EU at the Summit negotiations.

58. The Government will continue to work with other Member States to implement the EU Action Plan on **Forest Law Enforcement, Governance and Trade (FLEGT)** to tackle illegal logging and international trade in illegally harvested timber. The UK Presidency will take forward a regulation giving EU Customs Authorities the powers to implement a timber licensing system and deny access to EU markets of unlicensed timber products from partner countries. The EU should also finalise the mandate for the Commission to negotiate voluntary bilateral partnership agreements with timber-producing countries (under which the timber producing country agrees to export only verified legal timber in exchange for EU development assistance to improve forest governance), and to make significant progress on negotiating those individual Partnership Agreements.
59. Negotiations will continue on the EU's new chemicals strategy, **REACH** (Registration, Evaluation and Authorisation of Chemicals). The new strategy will replace current disparate chemicals legislation, and bring regulation under a single legislative structure. During its Presidency, the UK will aim to secure political agreement in the Council on a package that improves the protection of human health and the environment while maintaining the competitiveness and enhancing the innovative capability of the EU chemicals industry.
60. Negotiations will begin on new **air quality legislation** which is due to be proposed as part of the environmental thematic strategies. The dossier may come to political agreement during the UK Presidency.

Freedom, Security and Justice

The Hague Programme

61. The Hague Programme, agreed by the European Council in November 2004, established a comprehensive five year programme for EU co-operation on Justice and Home Affairs. It set out measures and proposals that will add value to the efforts of Member States and help them strengthen borders, control migration flows and combat serious and organised crime and terrorism. The Hague Action Plan, agreed at the June Council this year, will inform the priorities for action during the UK's Presidency and will include an evaluation process. The Hague Programme also calls for a strategy to ensure that Justice and Home Affairs objectives are pursued effectively in the EU's external relations. The UK Presidency will work with the Commission and EU High Representative to ensure an approach that helps

countries outside the EU to tackle the most serious crimes, to stop illegal migration, to provide protection to those in need of asylum, and to ensure the safety of their citizens.

Counter-Terrorism

62. The EU can play a key role in supporting Member States in tackling terrorism. In the wake of the 11 March 2004 bombings in Madrid, the EU set out an action plan for how to do this. During the UK Presidency the primary focus will be on delivering this action plan. In particular, the Government will aim to agree essential measures on police and judicial co-operation, including proposals relating to the European Evidence Warrant and proposals on the retention of data on telecommunications traffic; lay the foundations of an EU strategy to combat radicalisation and recruitment to terrorism; and deliver concrete assistance to partner countries outside the EU to help fight terrorism overseas. Given that many actions in the March 2004 Action Plan will be completed by the end of 2005, the Government will also work to develop further the framework agreed in 2004, concluding the Presidency with a new agenda for what more EU Member States can do individually and together to fight terrorism.

Asylum & Immigration

63. The UK Presidency is keen to take forward work to strengthen the EU's borders. This will include: helping the new EU Border Agency set up structures to identify and respond to illegal immigration risks; raising awareness of the role that Advanced Passenger Information/Passenger Name Records can play in strengthening border security; making progress on the security of EU travel documents and working towards the adoption and implementation of the Visa Information System (a system of sharing information that aims to prevent fraud and "visa-shopping"). The UK will continue to participate actively in operations to share intelligence to target illegal immigration networks.
64. The UK will work to strengthen the EU's impact on international asylum and immigration issues in a number of ways. This includes working in partnership with countries of origin and transit to improve their capacity to protect refugees at source, involving piloting of Regional Protection Programmes and working together with the Commission to improve the EU's performance on readmission agreements with third countries to facilitate the return of illegal immigrants and failed asylum seekers. A Communication on Development and Migration is expected from the Commission.
65. The Government will also work to enhance practical co-operation between EU partners on asylum, integration of migrants and refugees and the exchange of information and statistics, and take forward discussion of a new solidarity mechanism to provide substantial funds for border, integration, returns and refugee projects.

Combating serious and organised crime

66. In order to combat cross-border crime within the EU, Member States need to share law enforcement information effectively. During the UK Presidency the EU will discuss how to improve the exchange of law enforcement information, and how to support the development of intelligence-led policing. We will agree an action plan on human trafficking, providing a balanced and coherent framework that will support the efforts of law enforcement and protect the victims of trafficking. We will press ahead with proposals to connect all Member States to the Schengen Information System II, which will improve security across the EU and allow the new Member States to lift their internal borders with the Schengen area. More effective assessments by the European Police Office (Europol) of crime threats across the EU will improve the impact of operations by national police forces.
67. The UK Presidency will also begin implementation of the recently agreed EU Drugs Action Plan 2005-2008, with a focus on increased law enforcement co-operation in Europe to fight drug trafficking, increasing the EU's support internationally to stop drug production and trafficking, and sharing best practice on reducing the demand for drugs in Europe.
68. Judicial co-operation in the EU will continue to be based on respecting the distinct and diverse legal systems of Member States. The Government will aim to conclude negotiations on the European Evidence Warrant, which will help to bring swifter justice by speeding up access to evidence in cross border trials. Discussions on measures to exchange information on criminal convictions and disqualifications, including information on sex offenders, will also be taken forward. The UK Presidency will work further on EU proposals for minimum standards in criminal procedural law. This will ensure access to justice for UK (and other) citizens across the EU.

Civil justice

69. The UK Presidency will work to ensure that progress is made on a proposed measure to facilitate small claims across the EU, as well as on the 'Order for Payment' which will make it easier for businesses and individuals to enforce uncontested debts across EU borders.

Human Rights

70. Human rights and fundamental freedoms are founding principles of the EU. As Presidency, the UK will aim to make progress on a Commission proposal for a new Fundamental Rights Agency, which will fill a gap in the current system by supporting the EU institutions in respecting human rights.

PART THREE: EXTERNAL ISSUES

71. The external agenda for the UK Presidency will be dominated by a series of international meetings and summits with third countries. The **Millennium Review Summit** in New York in September will evaluate progress against the eight Millennium Development Goals and related targets agreed after the Millennium Summit in 2000. The WTO Ministerial meeting in Hong Kong in December will be the focus for efforts to make progress in the Doha Development Agenda (see paragraphs 102-103). There will also be the eleventh **UN Climate Change Conference** and first **Meeting of the Parties** after the entry into force of the **Kyoto Protocol**. The Prime Minister will take the lead as Presidency in **EU Summits with India, China, Russia, Ukraine and Canada**; and the UK will also be hosting, in partnership with Spain, the tenth anniversary event in Barcelona of **EuroMed** - a wide framework of political, economic and social relations between the EU and its 10 Mediterranean Partners. Alongside these meetings there will be a continuing focus on major international issues, particularly on promoting peace, stability and reform in the Middle East. All this will be pursued against the background of the central message of the European Security Strategy, adopted in December 2003, of developing more active, coherent and capable EU external policies.

Development

72. The Millennium Review Summit will provide an opportunity for the EU to take a lead in strengthening international efforts to tackle poverty, and a starting point for a debate on more effective EU policies towards and support for Africa. As a basis for the EU's contribution to the Summit, the 16-17 June European Council endorsed an ambitious set of commitments focused on accelerating progress towards attaining the Millennium Development Goals (which include halving global poverty and ensuring environmental sustainability). These commitments represent a major step forward in the fight against global poverty and include for the first time, collective EU agreement to reach 0.7% by 2015, with an intermediate EU target of 0.56 % ODA/GNI by 2010, with new Member States committing to reach 0.17% ODA/GNI by 2010, and other Member States committing to reach 0.51% ODA/GNI by 2010. This will result in a near doubling of annual EU aid from 2004 levels of €35bn (\$43bn) to annual levels of €66bn, (or \$81bn) by 2010. At least half of this agreed increase in ODA will be for Africa. As Presidency, the Government will be looking to build on this, improve policy coherence and further strengthen the EU's contribution to international efforts to tackle poverty, including continuing work on innovative financing mechanisms and on multilateral debt relief, building on progress in the G8. As the world's largest aid donor, and key trading partner of most developing countries, the EU has great potential to reduce poverty.

73. The Commission will revise its Development Policy Statement later in the year. This is a good opportunity to update current policy to reflect recent international agreements, including those from the 2002 Monterrey Conference and the 2002 Johannesburg Summit, and changes in best practice in the area of development since the statement was first agreed in 2000. This will also ensure it is applied in all parts of the EC dealing with development and developing countries. The Government will want to work towards agreement on a revised EC Development Policy that remains clearly focused on poverty reduction and achieving the Millennium Development Goals.
74. Discussion will continue during the UK Presidency on proposals for the EU's external spending in the next Financial Perspective. The Government hopes this can make a more effective contribution to poverty reduction and the Millennium Development Goals, allocate resources according to performance and needs, be more flexible in response to international developments, and support our enlargement, neighbourhood and stability objectives more effectively. In May 2005 the Council agreed a new EU strategy for tackling AIDS, tuberculosis and malaria between 2007 and 2011. The UK Presidency will look to agree a financing package for the strategy that represents a significant increase on current funding. The Government remains opposed to integrating the European Development Fund into the main Community budget.

External Relations

Africa

75. Africa is a top priority on the EU agenda. In March, Heads of Government underlined the particular importance of Africa in 2005. They welcomed the Commission's intention to reinforce the Union's support for the African continent and took note in this context of the recent report of the Commission for Africa. The June European Council asked the Council to elaborate a new long-term strategy for EU/Africa relations, in the light of the Millennium Review Summit, and with a view to discussion at the December European Council.
76. Through dialogue, election observation and other measures, the promotion of good governance will remain a focus of active EU involvement with African partners. During the UK Presidency, EU missions are scheduled to observe elections in several countries.
77. The EU concluded that the elections in **Zimbabwe** on 31 March were not free and fair and issued a statement on 7 June condemning the post-election crackdown on shanty settlements. The EU will therefore continue its policy of pressure on the Government of Zimbabwe to respect good governance, the rule of law and human rights.

78. Conflict prevention, management and peace-building in Africa are of utmost importance. The African Peace Facility, a €250m fund set up in 2003, will continue to be used, including in **Sudan**, in supporting African peace keeping operations and building the capacity of African regional and subregional organizations. The EU remains firmly committed to supporting the implementation of the comprehensive peace agreement in Sudan, and resolving the conflict in Darfur. The EU is firmly committed to the transition process in the **Democratic Republic of Congo**. Advice and assistance on security sector reform and training for the Congolese police to increase security during and after the election are key to EU efforts.

European Security and Defence Policy

79. A priority for **European Security and Defence Policy** (ESDP) in the second half of this year will be the review in November of the EU Force (EUFOR) mission in **Bosnia**, with a view to renewing its mandate and planning ahead to an eventual transition to a largely civilian presence. Launched in December 2004 to provide security and stability to support the continuing Bosnian reform process, EUFOR is the EU's largest military operation to date, comprising contributions from 33 countries and using the Berlin Plus arrangements for EU access to NATO assets. The EU will also take forward current civilian and civil/military operations in the Balkans, Georgia, the Democratic Republic of Congo and Iraq, and examine potential requirements for civilian intervention elsewhere.
80. Member States will continue work to improve capabilities through finalisation of a military **Requirements Catalogue** detailing what the EU needs to undertake its agreed range of tasks. The EU will also further develop the rapid-response **Battlegroups** initiative (which comprises very rapidly deployable, self-sustaining packages of 1,500 troops drawn from one or more Member States), and agree a civilian capability improvement plan in November. The UK Presidency will launch a work programme on **civil/military co-ordination** intent on maximising the EU's potential to apply its especially wide range of security instruments coherently, including a framework to support comprehensive planning. The EU will also concentrate on improving its ability to contribute to **disaster response**, in light of the Asian tsunami last year; and take forward work on a concept for EU security sector reform missions. Finally, the EU will look to further strengthen co-operation with NATO and the UN.

European Neighbourhood Policy

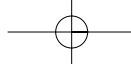
81. Action Plans for the first wave of **European Neighbourhood Policy** (ENP) countries (Ukraine, Moldova, Israel, Palestinian Authority, Tunisia, Morocco, Jordan) have now been adopted. Monitoring the implementation of these Action Plans, which identify areas for reform linked to closer co-operation with the EU, is now taking place within the framework of the EU's relations with each partner country. As Presidency, the UK will ensure effective co-ordination of this monitoring and will continue to encourage partner countries to take advantage of the

opportunities under the ENP by helping them along the process of political, social and economic reform. The UK Presidency will also support the Commission in negotiating Action Plans for the second wave of ENP countries (Armenia, Azerbaijan, Georgia, Egypt, Lebanon). The Commission hopes to complete these negotiations by the end of 2005.

82. Following the Orange Revolution in **Ukraine** last December, the central tenet of the new Ukrainian Government's foreign policy is to develop closer relations with the EU, leading eventually to membership. The Ukrainian Government has introduced a comprehensive reform programme aimed at bringing Ukraine closer to EU standards, focusing on the priorities set out in the European Neighbourhood Policy Action Plan. The EU and Ukraine are also working towards implementation of a package of additional measures designed to strengthen the Action Plan further and deepen the relationship.
83. The EU-Ukraine Summit during the UK Presidency will provide an opportunity to demonstrate the increased depth and strength of relations between the EU and Ukraine since the Orange Revolution, and to underline EU support for the ongoing reform process. By the time of the summit, we hope Ukraine will have secured Market Economy Status, made progress on WTO membership and opened negotiations on a visa facilitation agreement.

EU-Russia

84. The EU-Russia Four Common Spaces Agreement (a framework for cooperation in four areas: a common economic space; a common space of freedom, justice and security; a common space of external security; and a common space of research and education, including culture) was finalised at the 10 May EU-Russia summit. As Presidency, the UK will press ahead with implementing the agreements reached, and ensuring that they deliver practical benefits to the EU and Russia alike. We will aim to secure greater co-operation with Russia in the fight against organised crime, including on drugs and hi-tech crime. We will take forward negotiation of a facilitated visa agreement and a readmission agreement on behalf of the EU. The Government will also work to secure a co-ordinated EU response to Russian requests for help with socio-economic development in the North Caucasus, while continuing to raise our concerns about the situation in the region, including through the EU's dialogue with Russia on human rights. The EU will follow up the commitment to further EU-Russia co-operation on energy relations and climate change, including continued support for Russian implementation of the Kyoto Protocol and an EU-Russia Permanent Partnership Council on energy issues. The EU-Russia Summit, planned for 4 October, will provide an opportunity to mark progress in all the areas above and to launch early consideration of the shape of EU-Russia relations after 2007, ten years after the EU-Russia Partnership and Cooperation Agreement came into force.

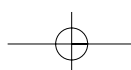


China

85. This year marks the 30th anniversary of the EU-China bilateral relationship, which is developing into an important strategic partnership for both sides. The regular political dialogue and the twice-yearly EU China Human Rights dialogue will provide further opportunities in 2005 for EU engagement with China on bilateral and global political, human rights, environmental and economic challenges. EU Member States will continue their review of the EU Arms Embargo on China and revision of the Code of Conduct on arms exports. Trade relations are likely to be an important focus of discussion during the year, not least as the EU is now China's largest trading partner and China is the EU's second largest trading partner. Preliminary work on a new EU-China framework agreement to replace and update the existing EU-China Agreement on Trade and Economic Co-operation is expected to get underway. Specific events to promote Science and Technology and regional economic development are planned. Both sides will continue co-operation on areas such as non-proliferation, combating illegal immigration, the environment and sustainable development.
86. The UK together with the European Commission, will represent the EU at the EU-China Summit in Beijing in September. As Presidency, the UK will put forward detailed proposals for closer EU-China co-operation on energy security and climate change, with the aim of significantly enhancing practical action to help China meet its future energy needs in a sustainable way.

EU-US

87. A robust transatlantic relationship is essential for the UK's, and the world's, security and prosperity. 2005 is another important year in this regard, as was evident in President Bush's visit to Europe in February - his first overseas visit in his second term. All parties involved agreed that it is important for the two sides to engage ever more closely on key areas of mutual concern, including the Middle East Peace Process and Iraq. This was reinforced at the EU-US Summit on 20 June 2005. We will also continue to promote deeper dialogue on climate change between the EU and US.
88. Much of the strength of the EU-US relationship lies in our economic ties. Trade and investment links are already worth over \$2.5 trillion a year and support 14 million jobs. But significant barriers remain, particularly due to differences in regulatory approaches and standards. Following the Summit which set out forward-looking priorities, continuing work is needed with the Commission, other Member States and the US Administration on developing an ambitious new forward-looking strategy to strengthen the EU-US economic partnership, which reflects the findings of the recent stakeholder consultation.



EU-Canada

89. The EU-Canada Summit planned for November will cover policy co-operation under five headings: international security and effective multilateralism; economic prosperity; justice and home affairs; global and regional challenges; and people-to-people exchanges. As Presidency, we will identify areas for increased co-operation, including climate change, Africa and implementation of the Millennium Development Review commitments.

Iran

90. Progress in the EU's relations with Iran depends on action by Iran to address the EU's political concerns, in areas such as WMD proliferation, human rights, and Iran's approach towards terrorism and the Middle East Peace Process. Iran is discussing long-term arrangements for its nuclear programme with the UK, France and Germany (the 'E3'), supported by the EU High Representative, on the basis of an agreement reached in November 2004 (the 'Paris agreement'). The long-term arrangements are to provide objective guarantees that Iran's nuclear programme is for exclusively peaceful purposes. Iran has agreed to suspend all uranium enrichment related and reprocessing activities and to maintain this suspension while negotiations continue; a full suspension is essential for the continuation of the process. Following the Paris agreement and Iran's suspension of all its nuclear fuel cycle activities, the EU decided to hold further negotiations on a draft EU/Iran Trade & Co-operation Agreement and a parallel political agreement. It will be for the UK Presidency to take forward negotiations on the latter. Human rights are also a priority for the UK and EU in relations with Iran, and, as Presidency, the UK will represent the EU in the EU/Iran Human Rights Dialogue. The UK will consult with partners on the implications of the outcome of the Iranian Presidential election on 24 June.

Iraq

91. The EU has made a clear commitment to assist Iraq with the transitional process, security and reconstruction, consistent with UN Security Council Resolution 1546. The UK has worked to ensure increased EU help for Iraq and to foster closer EU/Iraq co-operation. In June 2004 the European Council agreed a framework setting out a medium-term strategy for EU engagement with the Iraqi authorities.
92. This strategy is bearing fruit. On 5 November 2004 the Council presented an EU package of assistance to then Prime Minister Allawi. This contained a commitment to start negotiations on a new EU/Iraq political and trading relationship, including restoration of the Generalised System of Preferences (GSP), help with electoral preparations and support in the fields of police training, the rule of law and governance. Three European Commission elections experts played a valuable role helping the UN assist the Independent Electoral Commission of Iraq (IECI) with technical support for the successful parliamentary elections on 30 January 2005.

93. On 21 February 2005, EU Foreign Ministers reaffirmed the Union's intent to implement in full the 5 November 2004 assistance package. It agreed :
- to continue working with the IECI and the UN on Iraq's constitutional process, and with preparations for the December 2005 elections, by providing financial and technical support;
 - to launch an integrated Rule of Law and Police Training Mission for Iraq with offices in Baghdad and Brussels;
 - to open a European Commission Delegation office in Baghdad as soon as possible (opening an office will help the Commission fulfil its commitment to assist Iraq with capacity building in the trade and energy sectors, to implement the GSP and begin negotiations on a third country and trade and political framework);
 - a new aid package of €200m for 2005 (and EU humanitarian assistance to Iraq continues).
94. On 9 June 2005 an EU Troika delegation, accompanied by the Foreign Secretary, visited Baghdad and met the Iraqi Transitional Government (ITG). The Troika expressed their support for the Iraqi government and the transition process. During the visit, Commissioner Benita Ferrero-Waldner pledged additional funds to support the constitutional process, referendum and subsequent elections and re-iterated her intention to open a Commission office in Baghdad soon.
95. The EU and US co-hosted an International Conference on Iraq in Brussels on 22 June, which demonstrated a renewed international partnership on Iraq. The international community pledged to support the political process, reconstruction and restoration of law and order. The Conference called on Iraq's neighbours to fight terrorism, tighten border controls and improve regional security. It endorsed the creation of a new Baghdad-based, Iraqi-led donor coordination mechanism, with strong UN support.
96. During our Presidency, the EU will continue to increase its engagement with Iraq. In particular, we want to build up the current EU Rule of Law and Police Training mission, including moving towards some training being undertaken in Iraq; to lay the foundations for negotiations to commence on a Third Country Agreement to increase EU/Iraq political and trade cooperation; and to continue support for the political transition, including for the constitutional process, elections, referendum and subsequent elections. We hope that it will be possible for the Commission Delegation office in Baghdad to open in the next few months.

Middle East Peace Process

97. The European Union continues to play a significant and constructive role in promoting peace, stability, and economic and financial reform in the region. The UK as Presidency will work closely with other international partners (notably through the Quartet of the EU, the US, UN and Russia) and in a way that promotes co-operation and co-ordination between Europe and the United States.

98. During the UK Presidency, the main European Union objectives will be to support Prime Minister Sharon's plan for disengagement (set to begin on 16 August) and continued reform of Palestinian institutions as set out at the London Meeting on 1 March 2005. In this context, the European Union will work closely with James Wolfensohn, Quartet Special Envoy for disengagement, in order to help realise plans to make Gaza economically viable post Israeli withdrawal. The EU will also continue to support the work of the US Security Coordinator, Lt General Ward, in particular through support for Palestinian police. In addition, the EU will continue its work to reform donor structures and will assist the Palestinian Authority in its democracy building efforts through monitoring Palestinian Legislative Council elections.

EuroMed

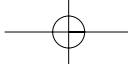
99. As Presidency, the UK will host, with Spain, a Summit in Barcelona on 27-28 November to mark the Tenth Anniversary of the Euro-Mediterranean Partnership - a wide framework of political, economic and social relations between the EU and its 10 Mediterranean Partners. The Summit will aim to give high level impetus for change, through a re-launch of the EuroMed Partnership to reflect the changes in the region since 1995 and agreement on an outcomes oriented action plan containing medium term targets in key areas including good governance, economic reform and education, which should then be reflected in individual European Neighbourhood Policy Action Plans.

India

100. At the fifth EU-India Summit in The Hague in November 2004, both sides agreed to develop the EU-India Strategic Partnership. At the sixth summit in Delhi in September 2005 the EU and India will agree an Action Plan and Political Declaration which will form the framework for the Strategic Partnership. As Presidency, the UK will work closely with India, the Commission and Member States to ensure that the agreed texts provide a firm basis for taking forward the Strategic Partnership in future years, including closer cooperation on the environment and energy.

Afghanistan

101. The EU will continue to support Afghanistan's democratic progress and national reconstruction, in particular supporting the Parliamentary and Provincial elections scheduled for 18 September 2005, and the creation of the new Parliament. The Government supports the European Commission's plans to send a larger monitoring mission to Afghanistan for the Parliamentary elections, with coverage outside Kabul. The UK Presidency will seek full EU involvement in the discussion on international engagement in Afghanistan following the end of the Bonn Process (the political process arising from the Bonn Agreement signed on 5 December 2001) after the elections. The UK Presidency will also encourage increased EU support for the Government of Afghanistan's 2005 Counter Narcotics Implementation Plan and National Drugs Control Strategy.

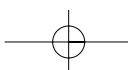


Trade

102. In trade policy, the Commission negotiates on behalf of, and mandated by, the Member States. The current round of WTO trade negotiations, the Doha Development Agenda (DDA) was launched in 2001 and seeks to place the concerns of developing countries at the heart of the negotiations. An ambitious outcome to the DDA could make a highly significant contribution to increasing world trade, reducing poverty and achieving the Millennium Development Goals.
103. As EU Presidency, the UK will play a key role in moving the negotiations forward before the next WTO Ministerial meeting in Hong Kong in December 2005. The Government will work closely with the Commission, our EU partners and other WTO Members to build on the progress made so far to ensure a successful outcome at Hong Kong, which allows for completion of the round by the end of 2006 and helps deliver a freer and fairer global trading system. Key issues in the negotiations include agriculture, industrial tariffs, services, and special and differential treatment for developing countries.
104. Discussions on Economic Partnership Agreements (EPAs) between the EU and the six regional groupings of the African Caribbean and Pacific (ACP) countries will continue throughout our Presidency. EPAs will not be Regional Trade Agreements in the traditional sense. They are intended to be new instruments that will promote development through trade, accompanied by additional resources to enable the ACP countries to benefit from trade reforms and build their capacity to produce and export competitiveness. The UK has argued that EPAs must be designed to deliver long-term development, economic growth and poverty reduction in the ACP countries, as set out in a position paper released in March. It stated that the EU should take a non-mercantilist approach to negotiating EPAs. They should allow developing countries the flexibility to decide, plan and sequence their trade reform so that it is supportive of their own plans for development.

Freedom, Security and Justice

105. Freedom, Security and Justice issues such as illegal immigration, drug and people trafficking, fighting terrorism or fighting corruption form an essential part of the EU's foreign policy agenda. The UK Presidency will therefore drive forward the Freedom, Security and Justice agenda globally, in partnership with countries outside the EU. In particular this will include Ministerial meetings with the USA, to develop the transatlantic dialogue in support of counter-terrorism co-operation; with Afghanistan, where we plan to reinforce the EU's support on fighting drugs; and the Western Balkans, to consider and intensify the region's progress in fighting organised crime. In addition, we will work with the Council and Commission to seek agreement on a long term strategy for increasing the EU's engagement on such issues with third countries, in the interests of the EU's own security, but also that of our wider neighbourhood.



GLOSSARY OF EU TERMS

Abatement

In 1984 the UK secured an abatement, an adjustment to its net contribution to the EU budget, to correct for imbalances arising in EU Budget expenditure. Broadly, this is two-thirds of the difference between its gross contribution to the EU budget and its receipts from internal spending. Without it, the UK would have paid, in net terms, 12 times as much as Italy and 15 times as much as France over 1995-2003. Even with it, the UK paid two and a half times as much as Italy and France.

Acquis

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

Amsterdam Treaty

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

Berlin Plus arrangements

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

Co-decision procedure

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

Commission

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

Common Agricultural Policy (CAP)

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

Common Foreign and Security Policy (CFSP)

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

Constitutional Treaty

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

Copenhagen Criteria

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

Council of Ministers of the European Union

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

Doha Development Agenda

The current World Trade Round, launched at a conference of global trade ministers in Doha, Qatar, in November 2001. The next major Ministerial meeting is in Hong Kong in December 2005.

EU High Representative

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

EU15

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

European Council

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

European Court of Justice (ECJ)

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

European Parliament (EP)

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

European Security Strategy (ESS)

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

European Security and Defence Policy (ESDP)

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

European Union

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

Europol

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

Lisbon economic reform agenda or Lisbon process

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

Maastricht Treaty

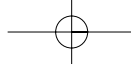
See **European Union**.

Member State

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

Nice Treaty

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



Presidency

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

Qualified majority voting (QMV)

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

Schengen acquis

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

Single European Act

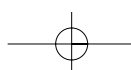
This Treaty, which was agreed in 1986 and entered into force in 1987, was the first substantial revision of the Community Treaties. Among the main changes it made were the initiation of co-operation in environment policy and foreign policy; the extension of **qualified majority voting** (notably to allow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

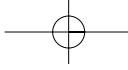
Single Market

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

Structural and Cohesion Funding

The European structural funds comprise the European Social Fund, the European Regional Development Fund, the European Agricultural Guidance and Guarantee Fund, and the Cohesion Fund. They provide the channel for the **European Union** to direct money towards its poorest regions. The allocation of the money is determined according to three objectives: assisting regions with a GDP of under 75% of the EU average, helping areas facing structural difficulties, and providing education training and employment in those areas not covered by the first objective.





Subsidiarity

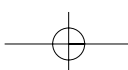
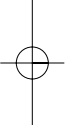
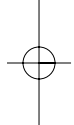
Subsidiarity is the principle whereby, in policy areas where competence is shared between the Union and **Member States**, the Union should only act when “the objectives of the intended action cannot be sufficiently achieved by the Member States” alone. In other words, the Union should only get involved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

Troika

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

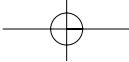
Unanimity

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

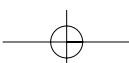
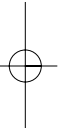
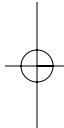


TIMETABLE OF COUNCIL MEETINGS IN THE SECOND HALF OF 2005

7-8 July	Informal Employment Council
11-12 July	Informal Competitiveness Council
12 July	ECOFIN Council
12-13 July	Informal Education Council
15 July	ECOFIN Council
18-19 July	General Affairs and External Relations Council
18-19 July	Agriculture and Fisheries Council
1-2 September	Gymnich (Informal Foreign Affairs Council)
8-9 September	Informal Justice and Home Affairs Council
9-10 September	Informal ECOFIN Council
9-12 September	Informal Agriculture and Environment Council
19-20 September	Agriculture and Fisheries Council
19-20 September	Informal Meeting of Sports Ministers
6 October	Transport, Telecommunications and Energy Council
11 October	ECOFIN Council
11 October	Competitiveness Council
12-13 October	Justice and Home Affairs Council
17 October	Environment Council
20-21 October	Informal Health Council
24-25 October	General Affairs and External Relations Council (to be confirmed)
24-25 October	Agriculture and Fisheries Council
24-25 October	Informal Development Council

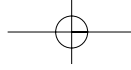


27-28 October	European Council (possible: to be confirmed)
8 November	ECOFIN Council
7-9 November	Ministerial Informal on Equality
14-15 November	Education, Youth and Culture Council
21-22 November	General Affairs and External Relations Council
22-24 November	Agriculture and Fisheries Council
24 November	ECOFIN Council
28-29 November	Competitiveness Council
1 December	Transport, Telecommunications and Energy Council
1-2 December	Justice and Home Affairs Council
2 December	Environment Council (date to be confirmed)
6 December	ECOFIN Council
8-9 December	Employment, Social Policy, Health & Consumer Affairs Council
12-13 December	General Affairs and External Relations Council
15-16 December	European Council
19-21 December	Agriculture and Fisheries Council



MILESTONES OF THE LUXEMBOURG PRESIDENCY

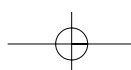
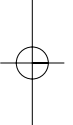
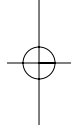
- Drawing up of an Action Plan to co-ordinate EU work in the aftermath of the Tsunami in the Indian Ocean, across a range of areas from disaster relief to trade (January General Affairs and External Relations Council).
- Agreement to launch an EU integrated rule of law mission for Iraq (February General Affairs and External Relations Council). See paragraph 91.
- Agreement on a revised Stability and Growth Pact (March European Council). See paragraph 33.
- Reformed Lisbon economic reform process (March European Council), focussed on boosting “jobs and growth” and based on a streamlined system of Lisbon governance, the so-called Lisbon National Reform Programmes. See paragraph 26.
- Signing of Bulgaria and Romania’s EU Accession Treaty (April). See paragraph 12.
- Launch of an EU police advisory mission in the Democratic Republic of Congo (April). See paragraph 78. In June, the EU also launched a security sector reform mission in the DRC.
- Agreement on the framework for distributing payments under the Common Agricultural Policy in 2007-2013 (May Agriculture Council).
- Agreement on a rural development regulation to set the parameters for EU funding designed to boost the competitiveness of the agriculture sector, promote environmental measures and assist the broader rural economy in 2007-2013 (June Agriculture Council). This will be updated in line with the outcome of the broader debate on future financing of the EU.
- Completion of the first phase of the EU Force mission in Bosnia, culminating in a comprehensive six-month review (June General Affairs and External Relations Council). See paragraph 79.
- Declaration of Guiding Principles for Sustainable Development (June European Council). This sets the framework for the review of the Sustainable Development Strategy later this year. See paragraph 57.
- Agreement to a new EU Aid Volume target (June European Council) that will see a doubling of EU Official Development Assistance by 2010 to help reduce global poverty and meet the Millennium Development Goals. See paragraph 72.
- Adoption of the Hague Action Plan for Freedom, Security and Justice, which sets out priorities for progress in counter-terrorism, managing immigration and combating organised crime (June European Council). See paragraph 61.



- Agreement on a new Generalised System of Preferences, the main scheme through which the EU offers preferential access to its markets for goods from developing countries. The new scheme will see increased benefits to a number of developing countries. A new element of the scheme, known as “GSP+”, will mean greater benefits for poor countries that sign up to international agreements on core labour standards, good governance, human rights and environmental issues (June Transport and Telecoms Council).
- Summits with Canada, Japan, Russia and the US. The visit of President Bush in January reinvigorated the EU-US relationship and set the tone for future co-operation. See paragraph 87.

More detailed monthly summaries of EU developments are included in the EU Bulletin, which can be found at

<http://www.europa.eu.int/abc/doc/off/bull/en/welcome.htm>



SPEECH TO THE EUROPEAN PARLIAMENT BY THE PRIME MINISTER, THE RIGHT HONOURABLE TONY BLAIR MP

23 JUNE 2005

It is an honour to be here in the European Parliament today. With your permission, I will come back after each European Council during the UK Presidency and report to you. In addition, I would be happy to consult the Parliament before each Council, so as to have the benefit of the views of the European Parliament before Council deliberations.

This is a timely address. Whatever else people disagree upon in Europe today, they at least agree on one point: Europe is in the midst of a profound debate about its future. I want to talk to you plainly today about this debate, the reasons for it and how to resolve it. In every crisis there is an opportunity. There is one here for Europe now, if we have the courage to take it.

The debate over Europe should not be conducted by trading insults or in terms of personality. It should be an open and frank exchange of ideas. And right at the outset I want to describe clearly how I define the debate and the disagreement underlying it.

The issue is not between a "free market" Europe and a social Europe, between those who want to retreat to a common market and those who believe in Europe as a political project.

This is not just a misrepresentation. It is to intimidate those who want change in Europe by representing the desire for change as betrayal of the European ideal, to try to shut off serious debate about Europe's future by claiming that the very insistence on debate is to embrace the anti-Europe.

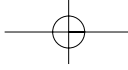
It is a mindset I have fought against all my political life. Ideals survive through change. They die through inertia in the face of challenge.

I am a passionate pro-European. I always have been. My first vote was in 1975 in the British referendum on membership and I voted yes. In 1983, when I was the last candidate in the UK to be selected shortly before that election and when my party had a policy of withdrawing from Europe, I told the selection conference that I disagreed with the policy. Some thought I had lost the selection. Some perhaps wish I had. I then helped change our policy in the 1980's and was proud of that change.

Since being Prime Minister I signed the Social Chapter, helped, along with France, to create the modern European Defence Policy, have played my part in the Amsterdam, the Nice, then the Rome Treaties.

This is a union of values, of solidarity between nations and people, of not just a common market in which we trade but a common political space in which we live as citizens.

It always will be.



I believe in Europe as a political project. I believe in Europe with a strong and caring social dimension. I would never accept a Europe that was simply an economic market.

To say that is the issue is to escape the real debate and hide in the comfort zone of the things we have always said to each other in times of difficulty.

There is not some division between the Europe necessary to succeed economically and social Europe. Political Europe and economic Europe do not live in separate rooms.

The purpose of social Europe and economic Europe should be to sustain each other.

The purpose of political Europe should be to promote the democratic and effective institutions to develop policy in these two spheres and across the board where we want and need to cooperate in our mutual interest.

But the purpose of political leadership is to get the policies right for today's world.

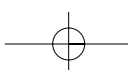
For 50 years Europe's leaders have done that. We talk of crisis. Let us first talk of achievement. When the war ended, Europe was in ruins. Today the EU stands as a monument to political achievement. Almost 50 years of peace, 50 years of prosperity, 50 years of progress. Think of it and be grateful.

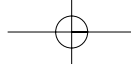
The broad sweep of history is on the side of the EU. Countries round the world are coming together because in collective cooperation they increase individual strength. Until the second half of the 20th Century, for centuries European nations individually had dominated the world, colonised large parts of it, fought wars against each other for world supremacy.

Out of the carnage of the Second World War, political leaders had the vision to realise those days were gone. Today's world does not diminish that vision. It demonstrates its prescience. The USA is the world's only super power. But China and India in a few decades will be the world's largest economies, each of them with populations three times that of the whole of the EU. The idea of Europe, united and working together, is essential for our nations to be strong enough to keep our place in this world.

Now, almost 50 years on, we have to renew. There is no shame in that. All institutions must do it. And we can. But only if we remarry the European ideals we believe in with the modern world we live in.

If Europe defaulted to Euro scepticism, or if European nations faced with this immense challenge, decide to huddle together, hoping we can avoid globalisation, shrink away from confronting the changes around us, take refuge in the present policies of Europe as if by constantly repeating them, we would by the very act of repetition make them more relevant, then we risk failure. Failure on a grand, strategic, scale. This is not a time to accuse those who want Europe to change of betraying Europe. It is a time to recognise that only by change will Europe recover its strength, its relevance, its idealism and therefore its support amongst the people.





And as ever the people are ahead of the politicians. We always think as a political class that people, unconcerned with the daily obsession of politics, may not understand it, may not see its subtleties and its complexities. But, ultimately, people always see politics more clearly than us. Precisely because they are not daily obsessed with it.

The issue is not about the idea of the European Union. It is about modernisation. It is about policy. It is not a debate about how to abandon Europe but how to make it do what it was set up to do: improve the lives of people. And right now, they aren't convinced. Consider this.

For four years Europe conducted a debate over our new Constitution, two years of it in the Convention. It was a detailed and careful piece of work setting out the new rules to govern a Europe of 25 and in time 27, 28 and more member states. It was endorsed by all Governments. It was supported by all leaders. It was then comprehensively rejected in referendums in two founding Member States, in the case of the Netherlands by over 60 per cent. The reality is that in most Member States it would be hard today to secure a 'yes' for it in a referendum.

There are two possible explanations. One is that people studied the Constitution and disagreed with its precise articles. I doubt that was the basis of the majority 'no'. This was not an issue of bad drafting or specific textual disagreement.

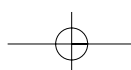
The other explanation is that the Constitution became merely the vehicle for the people to register a wider and deeper discontent with the state of affairs in Europe. I believe this to be the correct analysis.

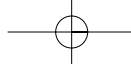
If so, it is not a crisis of political institutions, it is a crisis of political leadership. People in Europe are posing hard questions to us. They worry about globalisation, job security, about pensions and living standards. They see not just their economy but their society changing around them. Traditional communities are broken up, ethnic patterns change, family life is under strain as families struggle to balance work and home.

We are living through an era of profound upheaval and change. Look at our children and the technology they use and the jobs market they face. The world is unrecognisable from that we experienced as students 20, 30 years ago. When such change occurs, moderate people must give leadership. If they don't, the extremes gain traction on the political process. It happens within a nation. It is happening in Europe now.

Just reflect. The Laeken Declaration which launched the Constitution was designed "to bring Europe closer to the people". Did it? The Lisbon agenda was launched in the year 2000 with the ambition of making Europe "the most competitive place to do business in the world by 2010". We are half way through that period. Has it succeeded?

I have sat through Council Conclusions after Council Conclusions describing how we are "reconnecting Europe to the people". Are we?





It is time to give ourselves a reality check. To receive the wake-up call. The people are blowing the trumpets round the city walls. Are we listening? Have we the political will to go out and meet them so that they regard our leadership as part of the solution not the problem?

That is the context in which the Budget debate should be set. People say: we need the Budget to restore Europe's credibility. Of course we do. But it should be the right Budget. It shouldn't be abstracted from the debate about Europe's crisis. It should be part of the answer to it.

I want to say a word about last Friday's Summit. There have been suggestions that I was not willing to compromise on the UK rebate; that I only raised CAP reform at the last minute; that I expected to renegotiate the CAP on Friday night. In fact I am the only British leader that has ever said I would put the rebate on the table. I never said we should end the CAP now or renegotiate it overnight. Such a position would be absurd. Any change must take account of the legitimate needs of farming communities and happen over time. I have said simply two things: that we cannot agree a new financial perspective that does not at least set out a process that leads to a more rational Budget; and that this must allow such a Budget to shape the second half of that perspective up to 2013. Otherwise it will be 2014 before any fundamental change is agreed, let alone implemented. Again, in the meantime, of course Britain will pay its fair share of enlargement. I might point out that on any basis we would remain the second highest net contributor to the EU, having in this perspective paid billions more than similar sized countries.

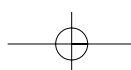
So, that is the context. What would a different policy agenda for Europe look like?

First, it would modernise our social model. Again some have suggested I want to abandon Europe's social model. But tell me: what type of social model is it that has 20m unemployed in Europe, productivity rates falling behind those of the USA; that is allowing more science graduates to be produced by India than by Europe; and that, on any relative index of a modern economy – skills, R&D, patents, IT, is going down not up. India will expand its biotechnology sector fivefold in the next five years. China has trebled its spending on R&D in the last five.

Of the top 20 universities in the world today, only two are now in Europe.

The purpose of our social model should be to enhance our ability to compete, to help our people cope with globalisation, to let them embrace its opportunities and avoid its dangers. Of course we need a social Europe. But it must be a social Europe that works.

And we've been told how to do it. The Kok report in 2004 shows the way. Investment in knowledge, in skills, in active labour market policies, in science parks and innovation, in higher education, in urban regeneration, in help for small businesses. This is modern social policy, not regulation and job protection that may save some jobs for a time at the expense of many jobs in the future.



And since this is a day for demolishing caricatures, let me demolish one other: the idea that Britain is in the grip of some extreme Anglo-Saxon market philosophy that tramples on the poor and disadvantaged. The present British Government has introduced the new deal for the unemployed, the largest jobs programme in Europe that has seen long-term youth unemployment virtually abolished. It has increased investment in our public services more than any other European country in the past five years. We needed to, it is true, but we did it. We have introduced Britain's first minimum wage. We have regenerated our cities. We have lifted almost one million children out of poverty and two million pensioners out of acute hardship and are embarked on the most radical expansion of childcare, maternity and paternity rights in our country's history. It is just that we have done it on the basis of and not at the expense of a strong economy.

Secondly, let the Budget reflect these realities. Again the Sapir report shows the way. Published by the European Commission in 2003, it sets out in clear detail what a modern European Budget would look like. Put it into practice. But a modern Budget for Europe is not one that 10 years from now is still spending 40 per cent of its money on the CAP.

Thirdly, implement the Lisbon Agenda. On jobs, labour market participation, school leavers, lifelong learning, we are making progress that nowhere near matches the precise targets we set out at Lisbon. That Agenda told us what to do. Let us do it.

Fourth, and here I tread carefully, get a macroeconomic framework for Europe that is disciplined but also flexible. It is not for me to comment on the Eurozone. I just say this: if we agreed real progress on economic reform, if we demonstrated real seriousness on structural change, then people would perceive reform of macro policy as sensible and rational, not a product of fiscal laxity but of commonsense. And we need such reform urgently if Europe is to grow.

After the economic and social challenges, then let us confront another set of linked issues – crime, security and immigration.

Crime is now crossing borders more easily than ever before. Organised crime costs the UK at least £20bn annually.

Migration has doubled in the past 20 years. Much of the migration is healthy and welcome. But it must be managed. Illegal immigration is an issue for all our nations, and a human tragedy for many thousands of people. It is estimated that 70 per cent of illegal immigrants have their passage facilitated by organised crime groups. Then there is the repugnant practice of human trafficking whereby organised gangs move people from one region to another with the intention of exploiting them when they arrive. Between 600,000 and 800,000 people are trafficked globally each year. Every year over 100,000 women are victims of trafficking in the European Union.

Again, a relevant JHA agenda would focus on these issues: implementing the EU action plan on counter-terrorism which has huge potential to improve law enforcement as well as addressing the radicalisation and recruitment of terrorists; cross-border intelligence

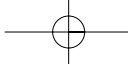
and policing on organised crime; developing proposals to hit the people and drug traffickers hard, in opening up their bank accounts, harassing their activities, arresting their leading members and bring them to justice; getting returns agreements for failed asylum seekers and illegal immigrants from neighbouring countries and others; developing biometric technology to make Europe's borders secure.

Then there is the whole area of CFSP. We should be agreeing practical measures to enhance European defence capability, be prepared to take on more missions of peacekeeping and enforcement, develop the capability, with NATO or where NATO does not want to be engaged outside it, to be able to intervene quickly and effectively in support of conflict resolution. Look at the numbers in European armies today and our expenditure. Do they really answer the strategic needs of today?

Such a defence policy is a necessary part of an effective foreign policy. But even without it, we should be seeing how we can make Europe's influence count. When the European Union agreed recently a doubling of aid to Africa, it was an immediate boost not just for that troubled continent, but for European cooperation. We are world leaders in development and proud of it. We should be leading the way on promoting a new multi-lateral trade agreement which will increase trade for all, especially the poorest nations. We are leading the debate on climate change and developing pan-European policies to tackle it. Thanks to Xavier Solana, Europe has started to make its presence felt in the MEPP. But my point is very simple. A strong Europe would be an active player in foreign policy, a good partner of course to the US but also capable of demonstrating its own capacity to shape and move the world forward.

Such a Europe – its economy in the process of being modernised, its security enhanced by clear action within our borders and beyond – would be a confident Europe. It would be a Europe confident enough to see enlargement not as a threat, as if membership were a zero sum game in which old members lose as new members gain, but an extraordinary, historic opportunity to build a greater and more powerful union. Because be under no illusion: if we stop enlargement or shut out its natural consequences, it wouldn't, in the end, save one job, keep one firm in business, prevent one delocalisation. For a time it might but not for long. And in the meantime Europe will become more narrow, more introspective and those who garner support will be those not in the traditions of European idealism but in those of outdated nationalism and xenophobia. But I tell you in all frankness: it is a contradiction to be in favour of liberalising Europe's membership but against opening up its economy.

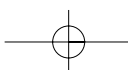
If we set out that clear direction; if we then combined it with the Commission – as this one under Jose Manuel Barroso's leadership is fully capable of doing – that is prepared to send back some of the unnecessary regulation, peel back some of the bureaucracy and become a champion of a global, outward-looking, competitive Europe, then it will not be hard to capture the imagination and support of the people of Europe.

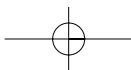
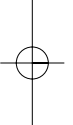
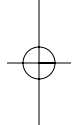
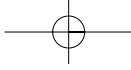


In our Presidency, we will try to take forward the Budget deal; to resolve some of the hard dossiers, like the Services Directive and Working Time Directive; to carry out the Union's obligations to those like Turkey and Croatia that wait in hope of a future as part of Europe; and to conduct this debate about the future of Europe in an open, inclusive way, giving our own views strongly but fully respectful of the views of others.

Only one thing I ask: don't let us kid ourselves that this debate is unnecessary; that if only we assume 'business as usual', people will sooner or later relent and acquiesce in Europe as it is, not as they want it to be. In my time as Prime Minister, I have found that the hard part is not taking the decision, it is spotting when it has to be taken. It is understanding the difference between the challenges that have to be managed and those that have to be confronted and overcome. This is such a moment of decision for Europe.

The people of Europe are speaking to us. They are posing the questions. They are wanting our leadership. It is time we gave it to them.







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