



Foreign &
Commonwealth
Office

PROSPECTS FOR THE EUROPEAN UNION IN 2006



The Finnish Presidency,
July to December 2006



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July to December 2006

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

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**FOREWORD BY THE SECRETARY OF STATE FOR FOREIGN AND
COMMONWEALTH AFFAIRS,
THE RIGHT HONOURABLE MARGARET BECKETT MP
July 2006**

In a period of global change and uncertainty, it is more vital than ever that we have an effective and forward-looking European Union. Many of the things which matter most to the people of the UK can only be achieved if we work with and through the EU. This White Paper sets out in detail the Government's assessment of the prospects for the EU during the next six months of the Finnish Presidency.

When two founder members of the EU rejected the draft European Constitution a year ago, Europe's leaders were given a very clear signal. The EU had to renew its focus and deliver practical benefits for its citizens. Throughout the UK Presidency, and at the Informal Hampton Court summit in particular, we helped to set a new route for Europe in which it tackled the issues that our citizens had put at the top of their agenda: increasing Europe's global competitiveness and creating jobs and growth; managing climate change and protecting our environment while securing the energy we need to heat our homes; combating terrorism and cracking down on organised crime and illegal immigration.

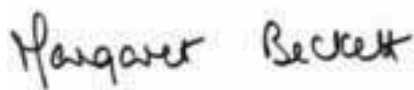
We are starting to see the fruits of that progress. For example, the recent agreement in the Competitiveness Council on the Services Directive represents a major step towards completing the Single Market and will deliver significant benefits for the EU economy – creating some 600,000 new jobs; boosting wages by almost 0.5 per cent across the EU; and adding around €31 billion to EU GDP. The Finnish Presidency plans to finalise this by taking the Directive through to its final reading in the European Parliament.

The UK will also work closely with the Presidency on Climate Change. Our goal is to have a full and open dialogue which can drive international action in tackling Climate Change post-Kyoto and establish a framework for delivery. On energy we will support Finnish efforts to follow up the Hampton Court remit and finalise the first EU energy strategy. This will see the EU working more effectively with external energy providers such as Russia.

At the Informal European Council in Lahti in October we expect follow-up on another Hampton Court priority – innovation. This will be a key theme of their Presidency. During the UK Presidency we agreed a new EU budget with a huge rise in investment in European research and development funding. Under the Finnish Presidency, EU leaders will consider the next steps we need to take to promote the innovation we need if the EU is to remain globally competitive.

The Finnish Presidency will also conduct a review of the Hague programme – agreed in 2004 – on tackling organised crime, terrorism and illegal immigration, in particular looking at where we need to speed up action to combat these threats more effectively.

So we look forward to an important six months which we hope will deliver further on the priorities of Europe's citizens.



MARGARET BECKETT
SECRETARY OF STATE
FOREIGN AND COMMONWEALTH AFFAIRS

1. CROSS-CUTTING ISSUES

THE FUTURE OF THE EU

1. The meeting of the European Council in Brussels on 15-16 June continued the discussion of the Future of Europe.
2. Heads of State and Government agreed that the EU should make best use of the current treaties to deliver the concrete results that citizens expect. This should build on the progress made since the Informal European Council at Hampton Court in October 2005, when Heads of State and Government emphasised the need for the Union to face the challenges of globalisation and deliver in areas such as energy, migration and crisis response.
3. The Finnish Presidency will continue this work, including at the Informal European Council in Lahti on 19-20 October.
4. The European Council also welcomed the various initiatives undertaken by Member States as part of the “period of reflection” (launched in June 2005 following the French and Dutch “No” votes on the Constitutional Treaty). Heads of State and Government decided to extend the period of reflection so that these national debates could continue. They invited the German Presidency, in the first half of 2007, to present a report to the European Council, based on extensive consultations with Member States. Further decisions on how to continue the process of institutional reform will then be taken by the end of 2008.
5. The European Council also agreed to adopt a political declaration in March 2007. This will set out Europe’s values and ambitions, and mark the 50th anniversary of the Treaty of Rome.

ENLARGEMENT

Debate on Enlargement

6. The June European Council reviewed progress on enlargement. It invited the Commission to submit a report on the enlargement process in the autumn, with a view to further discussion at the December European Council. The Government looks forward to taking part in this debate. Enlargement has been one of the EU’s success stories, spreading stability and prosperity throughout Europe. We want to see that process continue. It must be rigorous, but we must honour the commitments we have already made – for example to Turkey and the Western Balkans.

Romania and Bulgaria

7. In May this year, the Commission produced a monitoring report on both countries’ preparations for EU membership. On the basis of this report, the European Council concluded that both could still accede as planned on 1 January 2007, provided they addressed the outstanding areas of serious concern outlined in the Commission’s report. The Commission will produce a further report in October on whether Romania and Bulgaria are ready to join.
8. The Government wants both countries to tackle the issues identified by the Commission. We continue to provide significant bilateral and other assistance to help them do so. We will decide later this year whether to allow Romanian and Bulgarian workers immediate access to our labour market following accession.

Croatia and Turkey

9. Since the opening of membership talks with Croatia and Turkey in October 2005, the Commission has been assessing both countries' compliance with EU legislation (the "screening" process) to ensure they meet the standards needed for membership. This process is scheduled to continue under the Finnish Presidency. In June, the EU opened and provisionally closed the negotiations on the first chapter, Science & Research, for both countries.
10. Annual progress reports for both countries will be published in the autumn. These will include an assessment of the progress that each has made in meeting the Copenhagen economic and political criteria. During the Finnish Presidency the EU will also evaluate Turkey's implementation of the Ankara Agreement Protocol. This protocol requires Turkey to remove all obstacles to the free movement of goods between itself and the 25 EU Member States, including Cyprus, and we are encouraging Turkey to fulfil its obligations. The Government continues to strongly support efforts to achieve a comprehensive settlement in Cyprus. In support of this aim, and further to the Council's 2004 commitment to ending the isolation of the Turkish Cypriots, and agreement in March on a package of financial assistance, the Government will continue to work with the Commission, the Presidency and EU partners to find a mechanism to enable the Turkish Cypriots to trade directly with the EU.

Western Balkans

11. During the Finnish Presidency we expect the Western Balkan countries to continue progress towards EU membership. The EU will continue to support their European aspirations, taking an approach based on clear conditions, including the need for full co-operation with the International Criminal Tribunal for the former Yugoslavia (ICTY). The progress of the Western Balkan countries will be reviewed in the Commission's annual progress reports in November.
12. We also hope that in the next six months Serbia, Montenegro and Bosnia and Herzegovina will make progress towards concluding talks with the EU on Stabilisation and Association Agreements (SAAs). But we support Commissioner Olli Rehn's decision to disrupt Serbia's SAA negotiations because of its continued failure to co-operate fully with ICTY. The EU remains committed to Serbia's EU perspective and the Commission is ready to resume negotiations as soon as full co-operation is achieved.

BETTER REGULATION

13. We will work closely with the Finnish and German Presidencies to ensure that the principles of Better Regulation continue to be embedded within the work of the EU institutions. This includes effective use of impact assessments in delivering proportionate regulatory outcomes; progress on reducing administrative burdens; and ensuring the simplification programme delivers real benefits to EU businesses.
14. The Finns will take forward commitments agreed under the Austrian Presidency. These include reducing administrative burdens on business, in particular Small and Medium Enterprises, and a call by the European Council for the Commission to make appropriate proposals aimed at setting a target to reduce administrative burdens arising from EU legislation.

TRANSPARENCY

15. At the June European Council, “An Overall Policy on Transparency” was agreed by all Member States. The main effect of this will be to open up to the public all deliberations on co-decided legislation, which is the majority of the EU’s legislative work. The Council agreed to take necessary measures to ensure the implementation of the new policy and to review them in six months to assess what impact they have had on the Council’s effectiveness. This is in line both with our support for increased transparency and our concern that we should not compromise Council effectiveness by proceeding too quickly.

FINANCIAL PERSPECTIVE FOR 2007-13

16. The Austrian Presidency successfully concluded the Inter-Institutional Agreement between the European Parliament, the Commission and the Council to give effect to the deal on the Financial Perspective for 2007-13, secured under the UK Presidency in December 2005.
17. The December 2005 deal also set out the process for a fundamental review of the EU Budget in 2008-2009. Our aim, as set out by the Prime Minister, is to create a modernised budget that responds to citizens’ concerns and is fit for the 21st century. We are therefore looking forward to a wide ranging and in-depth assessment focusing on the fundamental questions, such as ‘what is the purpose of the EU budget?’ and ‘where does spending best support the EU’s objectives?’.

2. POLICY AREAS

COMPETITIVENESS

Internal Market

18. Tackling the remaining obstacles to completing the internal market is a priority for the EU, which the Finnish Presidency will advance. The internal market has boosted EU GDP by €875 billion over ten years, generating 2.5 million jobs; completing it and ensuring that business and individuals can use the internal market to its full potential is essential to Europe's ability to deliver jobs and growth. The Government supports the need for an effective, targeted focus on implementing the existing rules in all Member States and identifying the further work needed to complete the internal market. In particular, the publication of reports from the Commission on competition in the energy and financial services sectors during the Finnish Presidency should help identify where further action is needed to liberalise those sectors. The Government will be contributing fully to the Commission's review of the future of the Single Market, due to report in early 2007, which is a chance to identify the areas where renewed efforts are needed to remove barriers to competition within the EU.
19. The Finnish Presidency plans to take forward the Council's agreement on the Services Directive, which will open up the markets in services across the EU, towards agreement with the European Parliament and final adoption. The Government fully supports this; extending the benefits of the single market to the services sector – the biggest part of the EU economy. Independent estimates suggest that this will benefit consumers, create around 600,000 new jobs, strengthen competition and act as a motor for economic growth.

Innovation and Research

20. Following agreement of the EU Budget in December, EU Research Ministers agreed most of the detail on Framework Programme 7 at their meeting in May. This Programme is the main EU instrument to fund Research and Development and aims to raise capacity for the very best basic research, improve industrial competitiveness and the mobility of researchers, and ensure EU policies are properly supported by research. The European Research Council, endorsed by EU Heads at the Hampton Court Summit last October, will be an independent funding body and is due to be established under the Programme. We have made sure that, through restructuring, we get a more modern budget where more is spent on R&D and by 2013 the resources available will be around 75% higher in real terms than in 2006. The Finns will work towards getting final agreement in the European Parliament and will be handling proposals for "Joint Technology Initiatives" – a new instrument of the Framework Programme that will establish large-scale, public-private partnerships to deliver applied research in support of business competitiveness.
21. Innovation will be a key theme of the Finnish Presidency, which will take forward some of the ideas presented in the Aho Report, a high-level report requested by the Commission after the Hampton Court Summit, led by Esko Aho, the former Finnish Prime Minister. Aho clearly identified the need for market incentive measures to accompany technological development and the need for a change of culture in favour of innovation, as well as stimulating greater business involvement. We look forward to the proposed leaders' summit in Lahti in October which will consider the next steps Europe needs to take to promote innovation.

Chemicals Policy

22. The Government welcomed the agreement on the future EU chemicals policy (REACH) at the December 2005 Council. We will support the Finns in their efforts to obtain a second reading deal with the EP during their Presidency which enhances protection of human health and the environment whilst retaining EU competitiveness in this area.

ECONOMIC AND MONETARY POLICY

Euro Membership

23. At the June European Council EU Heads of State and Government welcomed Slovenia's fulfilment of all of the convergence criteria as set out in the Treaty for euro membership and supported the Commission's proposal that Slovenia should adopt the euro on 1 January 2007. Heads recognised Lithuania's good progress to date and hoped to see more new Member States fulfil all of the convergence criteria in the near future.

TRANSPORT

24. We hope that the Finnish Presidency will deliver agreement of a balanced and robust air services agreement with the US that will liberalise air traffic to the benefit of passengers and aviation businesses.
25. We look forward to a wide ranging Ministerial debate on Community transport policy in the context of the Commission's recently published Communication "Keep Europe moving – Sustainable Mobility for our Continent". We shall be considering the Commission's recently published Communication on freight transport logistics and the expected action plan to make the flow of goods across Europe easier. The Finnish Presidency has decided to make logistics improvement a priority since this is important for improving European competitiveness.

ELECTRONIC COMMUNICATIONS

26. The Finnish Presidency will take forward discussions of the Commission's proposals to regulate the price of mobile roaming phone calls. Liberalisation of telecomms across the EU has led to a significant fall in prices and greater choice for the consumer. We want to ensure that we see lower mobile roaming prices for EU citizens but that these are achieved without causing unnecessary distortions in the market, higher prices for other mobile services or a reduction in competition within the European mobile market.
27. Over the next six months we will be looking closely at how the Commission plan to amend the existing Electronic Communications Framework and adapt the Recommendation on Relevant Markets. We will be working with other Member States to ensure that the overriding principles of competitive and open markets are maintained.

ENERGY

28. In March, EU leaders called for an Energy Policy for Europe and asked the Commission and Council to adopt an Action Plan by Spring 2007. We expect to see progress towards this under the Finnish Presidency. This will include further steps towards a liberalised and competitive internal energy market, including through increased co-operation between national energy regulators; delivery of a proactive action plan on energy efficiency; emissions reductions and the promotion of low-carbon energy sources; and the development of an EU external energy security strategy with source and transit countries which ensures reliable, affordable and sustainable energy flows in the EU.
29. We also look forward to two important papers from the Commission later this year: the Strategic Annual Energy Review, which will provide a thorough analysis of the EU's current and future energy needs; and reports on the results of its implementation review of the legislation and of its competition sectoral inquiry, which would further demonstrate the Commission's intention to enforce the legislation on the internal energy market and make full use of EU competition rules to tackle anti-competitive behaviour and structures.

EMPLOYMENT, SOCIAL AND HEALTH POLICY

Employment and Social Policy

30. Europe faces the twin challenges of an ageing and shrinking population and an increasingly competitive globalised economy. We look forward to the Informal European Council at Lahti which will take forward the remits from the Hampton Court Summit held under the UK Presidency.

Productivity and the balance between Flexibility and Security

31. The Government supports the Finnish Presidency's wish to take forward the debate on the balance between flexibility and security at work and on ways of improving quality of working as a way of increasing the employment rate and boosting productivity. The Commission is due to produce a Green Paper on the future of labour law, which will cover some of these issues, including new forms of work. The Finnish Presidency has indicated that if it issues in time it will try and formulate a Council position on the short-term challenges for labour law. While there is no single model that is appropriate to all Member States, there is scope at European level to exchange practical examples of the best ways to support people adapt to and benefit from the global economy.

Global Adjustment Fund

32. The Finnish Presidency is keen to reach agreement on the Global Adjustment Fund, which will aim to help cushion the short-term employment impact of global shocks. We will encourage the Presidency and Commission to produce a proposal that is fiscally sound and supports national efforts to use active labour market policies and skills strategies to help people adapt to short-term change.

Working Time Directive

33. Discussion of the revised Working Time Directive will continue during the Finnish Presidency. We want a deal which retains labour market flexibility while offering protection and choice for workers. In particular the Government wants to maintain individuals' ability to use the opt-out under the Directive and to resolve the issues raised by the SIMAP/Jaeger ECJ cases on on-call time.

Gender Equality

34. We welcome Finnish Presidency plans to implement the Gender Pact agreed at the Spring European Council. Europe's demographic challenge means we have to reduce barriers to work for those who need to balance care responsibilities with work, particularly women. We hope that a second reading agreement with the EP on plans to set up a European Gender Institute will be possible by December.

Health Policy

35. The Finnish Presidency's main aim will be to discuss how the different sectors of public administrations can contribute to enhancing the population's health ("Health in all Policies"). The Finnish Presidency has indicated that they expect the Health Council at the end of November to take forward three legislative proposals (on the public health programme, on advanced therapy medicinal products and on medical devices). They also expect a Ministerial discussion on an EU alcohol strategy- focusing on reducing alcohol-related harm.

EDUCATION, CULTURE, YOUTH AND AUDIOVISUAL AFFAIRS

Higher Education

36. Higher education makes a crucial contribution to EU economic reform and future competitiveness. Following the progress made under the UK Presidency, the Commission produced a Communication on European higher education institutions, focusing particularly on how to enhance research and innovation performance, and develop stronger links between universities and business. In June there was a further Communication from the Commission on the European Institute of Technology (EIT). The EIT aims to fill the existing gap between higher education, research and innovation by promoting excellence and exploiting research and innovation. The Government would like to see greater clarity of the idea before the formal proposal expected in the autumn.

Audiovisual Affairs

37. The EU Audiovisual Media Services Directive aims to enable free movement of audiovisual services within the EU. The Commission presented their proposal for a revision of this Directive in December 2005 (revising the 'Television Without Frontiers Directive'). It would extend the scope of the TWWF directive to all audiovisual media services, setting minimum standards in areas such as advertising and the protection of minors for both linear (i.e. television broadcasting) and non-linear (i.e. on-demand) services. The Finns hope to reach agreement on some of the amendments in the Education, Youth and Culture Council in November. The Government wants to ensure that the Directive regulates in a way that will be easy to enforce and which will foster the growth of e-services in the EU.

ENVIRONMENT

Climate Change

38. The Finnish Presidency will take forward the June European Council's commitment to push for a full and open dialogue on future action on tackling Climate Change. That includes agreeing an international goal to guide and drive international action, including at the UN Climate Change conference in Nairobi in

November. The EU must send a clear signal at the highest level to show its readiness and commitment to move towards agreeing such a goal and be prepared to have an open debate with international partners about the scale of action needed.

39. Without a clear expression of intent within the EU too, investors and businesses will not be able to make the decisions we need to reduce EU emissions. It is important to provide confidence in the carbon policy framework by reinforcing our commitment to the central role played by the EU Emissions Trading Scheme (ETS) in the EU's medium and long term strategy, beyond 2012, for reducing emissions. We will press for December's European Council to underline commitment to the EU ETS. We also want the Commission to bring forward a legislative proposal by the end of 2006 to include emissions from aviation in the EU ETS from 2008 or as soon as possible afterwards.
40. Truly global action will require engagement with major emerging economies. It is important that the channels the EU opened on climate change action with China and with India last year continue to be developed. We would want in particular the EU summits with South East Asian countries, China and India to embrace the principle of moving towards the agreement of a goal for driving international action.

Biodiversity

41. The EU has set itself the objective of halting the loss of biodiversity on its own territory by 2010 in line with the UN commitments set at the 2002 Summit on Sustainable Development in Johannesburg. The Commission has recently published its biodiversity Communication which includes a prioritised set of measures as the next steps in the battle to halt biodiversity decline in the EU. The Presidency is aiming to reach conclusions on the biodiversity Communication at the Environment Council by the end of the year.

The Sixth Environment Action Programme

42. The mid-term review of the EU's Sixth Environment Action Programme will start under the Finnish Presidency. The Action Programme runs from 2002 to 2012 and includes proposals for Thematic Strategies on key areas of environmental policy, including Air Pollution, Prevention and Recycling of Waste, Protection of the Marine Environment, Soil, Pesticides, Sustainable Use of Resources and the Urban Environment. In addition, the Finnish Presidency is keen to make progress on individual Strategies, in particular proposals on air quality, the marine environment and tackling waste. The review also provides a vehicle to further embed better regulation in EU Environmental policy making, a key priority for both Finland and the UK.
43. The Finnish Presidency have confirmed that the July Informal Meeting of Environment Ministers (in Turku, Finland) will take 'The New Generation of Environment Policies' as its theme. The sustainable consumption and production agenda will be at the heart of this, as discussions will focus around the issues of a 'one planet' environment economy, the effects of EU consumption and production in the global world, balancing resource use and maintaining ecosystems. Related to this, the Finnish Presidency are aiming for Council Conclusions, at the December Environment Council, on the Natural Resources Thematic Strategy.

AGRICULTURE AND FISHERIES

Agriculture

44. Work will continue on reducing regulatory burdens and simplifying the Common Agricultural Policy (CAP), which was a key priority of the UK's Presidency. At the informal meeting of agriculture ministers in September there will be a debate about the future direction of EU agriculture policy, at which the Government will promote its vision for further reform of the CAP. We also hope that the Finnish Presidency will see the successful conclusion of the current round of World Trade Organisation negotiations, leading, in particular, to economic benefits for developing countries.
45. The Finnish Presidency hopes to reach agreement on a proposal to allow Member States to decide whether to 'voluntarily modulate' (move support from the CAP to rural development) up to 20% of CAP funds. This proposal is part of the budget overall package agreed under the UK Presidency. The Presidency also aims to reach agreement on changes to the system of support and regulation of organic farming, update the regulatory framework for spirit drinks and take forward discussions on the reform of EU support for production of wine and bananas. There are likely to be new proposals on the sustainable use of pesticides and some technical changes to the regulation of the dairy sector.

Fisheries

46. We want to reach agreement on EU catch limits for fishing and other necessary control arrangements to apply in 2007. We expect controls to strike an appropriate balance between the sustainable exploitation of fish stocks in Community waters and delivering an assured long-term future for the EU's fishing industry, which takes account of wider marine environment conservation.
47. The Government supports improving the way in which fisheries policies are developed and we welcome the changes the Commission is making to reflect our views. More time will be given for policy development to ensure that policies are not rushed and are appropriate, taking into account the views of all stakeholders. For example, discussion with the UK and Norway as joint managers of some fish stocks will begin much earlier this year.

Animal Health & Welfare

48. The UK Presidency laid the foundations for the EU to take a longer term and more strategic approach to animal health and the prevention of animal disease in developing the Community Animal Health Policy 2007-2013. Finland will build on that by hosting a conference in November to develop ideas further. They also intend to build on progress made by the UK and Austrian Presidencies to reach agreement on improvements to the welfare of chickens reared for meat.

Forestry

49. The Finnish Presidency hopes to conclude the EU Forest Action Plan for 2007-11, which is designed to deliver sustainable forest management across the EU. The Government has supported its development.

AREA OF FREEDOM, SECURITY AND JUSTICE

50. Progress in this area will be a major priority for the Finnish Presidency. The key areas of work will be:

Mid-Term Review of the Hague Programme

51. Agreed in 2004, the Hague Programme is an overarching framework for action to improve EU co-operation against organised crime, terrorism and illegal immigration. The Finnish Presidency will review the programme in order to assess progress made, revise deadlines where necessary and re-examine our priorities. The Government will seek to ensure that the focus will be improving practical, operational co-operation that will have a real impact on citizens' lives.

Asylum and Immigration

52. Further to the Commission's Communication on practical co-operation on asylum matters, the Government will look to participate actively in practical measures to improve co-operation amongst Member States on asylum issues.

53. We will also work closely with key partners to ensure that effective, collaborative action is taken to manage migration flows from Africa and through the Mediterranean. We will continue to support intelligence-led operational co-operation between Member States (especially through Frontex, the EU Borders Agency) and with neighbouring third countries to enhance the security of the EU's external borders. The recent regional Euro-African conference on migration and development and the Euromed meeting of JHA Ministers provide appropriate fora for high level political discussion. We also look forward to a successful EU contribution to the forthcoming UN High Level Dialogue on International Migration and Development.

External Relations

54. The Government will continue to prioritise freedom, security and justice issues in the EU's external relations, as set out in the External Relations Strategy agreed under the UK Presidency. We expect the Finns to emphasise practical co-operation with Russia, to continue to focus on organised crime within the Western Balkans, and to oversee the drafting of an Action-Oriented Paper on Counter-Terrorism in North Africa. JHA issues will be a priority in the context of accession of Bulgaria and Romania.

Counter-Terrorism

55. The Government will work closely with the Finnish Presidency to help deliver priority actions under both the EU counter-terrorism strategy and action plan, in particular to help prevent radicalisation and recruitment.

Organised Crime

56. In order to tackle organised crime, the Government will support the Finnish Presidency in taking forward work that supports intelligence-led operations and cross border prosecutions by groups of Member States, and in implementing the European action plans to tackle drugs and human trafficking.

57. We will look to the Finnish Presidency to agree a measure to improve the sharing of information held on criminal records, including prohibitions on working with children, and to make progress on the Framework Decision on Data Protection, which will facilitate responsible and effective information-sharing across borders.

Civil Protection

58. The Government will implement new EU crisis co-ordination arrangements developed during the UK and Austrian Presidencies to ensure an effective strategic and operational response at EU level to major emergencies inside or outside the Union. We hope the Finnish Presidency will complete negotiations to improve the EU's practical response capabilities in the event of a major disaster, following the experience of the South East Asia Tsunami.

Judicial Co-operation

59. We will support the Presidency in enhancing co-operation through mutual recognition of Member States' judicial systems. We will begin implementation of the European Evidence Warrant, which will expedite the obtaining of evidence in cross border investigations, building on the success of the European Arrest Warrant. We will play an active role in negotiations to facilitate the transfer of prisoners to their home country or country of residence to complete their sentence, which will improve the prospects of successful rehabilitation. We will look to the Finnish Presidency to agree two proposals that will clarify the law that applies to non-contractual obligations and facilitate small claims across borders, as well as a Directive on mediation. Although we have not yet opted in, we will participate fully in negotiations on proposals dealing with cross-border family maintenance obligations and the law applying to cross-border contractual obligations. We reserve the right to seek to opt in to both at a later stage.

Fundamental Rights

60. The Government will work with the Presidency to take forward negotiations on the Fundamental Rights Agency. We support the Finnish Presidency's objectives, in particular that the Agency should not duplicate the activities of the Council of Europe and will continue our support for an Agency focused on respect for fundamental rights by Community law.

THE EU's EXTERNAL RELATIONS

61. Concerted action by EU Member States and the Commission plays a vital role in promoting stability and security throughout the world. In the second half of 2006, the Government will continue to work closely with the Finnish Presidency, other EU Member States, and with the European Commission to ensure that the EU's policies and actions on External Relations are focused, effective and coherent. Under the Finnish Presidency particular priority will be given to:

Iran

62. We will continue to focus our efforts, bilaterally and through the EU, on encouraging Iran to address international concerns about its nuclear and ballistic missile programmes, its approach to terrorism and its role in the region. We will also focus on the protection of human rights and the promotion of political freedoms in Iran. On the nuclear issue, Iran needs to comply with the requirements of the IAEA Board of Governors and the United Nations Security Council, including by suspending all uranium enrichment-related and reprocessing activities. We will also encourage Iran to agree long-term arrangements which provide full confidence that its nuclear activities are for solely peaceful purposes.

Russia

63. The Finnish Presidency of the European Union will make relations with Russia a priority. The EU will take forward the "Four Common Spaces" roadmaps for increased co-operation with Russia. These Spaces cover economics, justice and home affairs, external relations and culture. The Finnish Presidency will expand the successful ministerial Permanent Partnership Council (PPC) meeting framework, with PPCs on foreign policy issues, justice and home affairs, energy, transport and the environment – the energy relationship will be a particular focus. The EU will also develop further the Northern Dimension regional partnership initiative. And the Presidency plan to conclude the negotiating mandate for the successor to the Partnership and Co-operation agreement.

Kosovo

64. Kosovo will be a particular priority for the Finns and we anticipate that Final Status talks will be concluded under their Presidency. The EU will continue to support the UN-led status process in Kosovo and will be working to ensure that it is ready to take on a large role in the implementation of a Kosovo status settlement if this is required.

Asia-Europe Summit Meeting (ASEM)

65. The 6th Asia-Europe Summit Meeting (ASEM) between the EU and thirteen Asian countries will take place in Helsinki on 10-11 September 2006. The summit will be a key opportunity for the two regions to strengthen mutual relations and co-operation. The agenda will include: global security (including global health threats such as avian flu); energy security and climate change; and the Doha Development Agenda (DDA) of the World Trade Organisation (WTO).

Progress on the World Trade Organisation (WTO) Doha Talks

66. Building on the outcome of the WTO Ministerial Conference in Hong Kong in 2005, we will continue to work closely with the European Commission, our EU partners and other WTO Members to secure an ambitious, pro-development outcome to the WTO trade round by the end of 2006. We remain committed to significantly increased market access for developing countries, particularly in agriculture; substantial reductions in all trade-distorting subsidies, including the elimination of export subsidies by 2013 (with a substantial part before then) as agreed at Hong Kong; aid for trade to help developing countries increase their capacity to trade and effective special and differential treatment for developing countries.

Middle East Peace Process

67. The EU will continue to play an active role in the Middle East Peace Process in the second half of 2006. The focus will be on supporting negotiations between President Abbas and Prime Minister Olmert on implementing the Roadmap. This provides the best way to find a just and lasting settlement. The EU will also remain committed to helping to provide the Palestinian people's basic needs and promoting human rights and respect for international law. Now that the European Council and the Quartet have endorsed the Temporary International Mechanism, The European Commission, Member States and the World Bank will continue to work urgently to deliver this support.

European Neighbourhood Policy (ENP)

68. We expect progress in the European Neighbourhood Policy (ENP). A formal review of progress by Moldova and Ukraine under their ENP Action Plans will take place in the autumn. Action Plans for Egypt, Armenia, Azerbaijan and Georgia should be agreed early in the Finnish Presidency.

European Security and Defence Policy (ESDP)

69. The EU will continue to contribute to global peace and security through its European Security and Defence Policy (ESDP) activities. Under the Finnish Presidency the EU will focus on the successful implementation of missions and preparations for new missions e.g. in Kosovo. Other key items on the ESDP agenda are improving civil-military co-ordination and EU capabilities. Work on the latter will focus on mission support, more rapid financing and better procurement mechanisms for civilian missions, on improving key shortfalls such as strategic airlifts, and delivery of a catalogue listing the military assets Member States might offer towards EU military operations.

Development

70. On Development, the EU will focus mainly on the continued implementation of the ambitious initiatives agreed under the UK Presidency, particularly the Consensus for Development and Africa Strategy. The EU's Africa Strategy is due to be reviewed at the December European Council. Work on Economic Partnership Agreements with the African, Caribbean and Pacific (ACP) group of countries will gather pace, and a review of the negotiations prepared.

GLOSSARY OF EU TERMS

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, judgement of the **European Court of Justice** and measures taken in the fields of the **Common Foreign and Security Policy** and Justice and Home Affairs.

Co-decision procedure

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

Commission

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

Common Agricultural Policy (CAP)

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

Common Foreign and Security Policy (CFSP)

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

Constitutional Treaty

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

Copenhagen Criteria

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

Council of Ministers of the European Union

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

Doha Development Agenda

The current World Trade Round, launched at a conference of global trade ministers in Doha, Qatar, in November 2001, which seeks to place the concerns of developing countries at the heart of international trade negotiations.

EU High Representative

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

also Secretary-General of the Council and, as such, head of the Council Secretariat.

EU15

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

European Council

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

European Court of Justice (ECJ)

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

European Parliament (EP)

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

European Security and Defence Policy (ESDP)

The European Security and Defence Policy was launched in response to proposals put forward jointly by the Prime Minister and President Chirac in 1998. It centres on strengthening Europe's capability for crisis

management through both NATO and the EU. The policy is designed to give the EU the tools to take on humanitarian and peacekeeping tasks where NATO as a whole is not engaged.

European Union

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

Europol

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

Lisbon economic reform agenda or Lisbon process

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

Maastricht Treaty

See **European Union**.

Member State

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

Nice Treaty

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

Council while extending it to a number of new policy areas.

Presidency

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

Qualified majority voting (QMV)

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

Schengen acquis

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

Single European Act

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

Single Market

Shorthand for the EU's commitment to create an internal market in which all obstacles to the free movement of

goods, persons, services and capital between Member States have been abolished. The Single Market was largely completed by 1992 but remains incomplete in some areas. A major aim of the **Lisbon Process** is to accelerate its full completion and implementation.

Stabilisation and Accession Agreements (SAAs)

The SAA establishes a contractual relationship between individual Western Balkans countries and the EU. It represents a political commitment by the signatory to complete a series of political and economic reforms to meet EU standards. A SAA is concluded once the country has made sufficient progress in implementing the required reforms and has demonstrated sufficient administrative capacity to take on the more difficult task of successfully completing the requirements for eventual EU membership.

Structural and Cohesion Funding

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

Subsidiarity

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

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 COUNCILS, FINNISH PRESIDENCY

6 – 8 July	Informal Employment, Social Policy and Health Council
10 – 11 July	Informal Competitiveness Council
11 July	ECOFIN Council
14 July	ECOFIN Council (budget)
17 – 18 July	General Affairs and External Relations Council
18 July	Agriculture and Fisheries Council
24 July	Justice and Home Affairs Council
24 July	Competitiveness Council
1 – 2 September	Gymnich (informal Foreign Affairs Council)
8 – 9 September	Informal ECOFIN Council
14 September	General Affairs and External Relations Council (third country meetings)
15 September	General Affairs and External Relations Council
18 September	Agriculture and Fisheries Council
20 – 22 September	Informal Justice and Home Affairs Council
24 – 26 September	Informal Agriculture and Fisheries Council
25 September	Competitiveness Council

TIMETABLE OF COUNCIL MEETINGS DURING 2006

2 – 3 October	Informal Meeting of Defence Ministers
5 – 6 October	Justice and Home Affairs Council
10 October	ECOFIN Council
12 October	Transport, Telecommunications and Energy Council
15 October	Informal dinner of Ministers of Trade
16 – 17 October	General Affairs and External Relations Council
20 October	Informal meeting of Heads of State, Lahti
23 October	Environment Council
24 – 25 October	Agriculture and Fisheries Council
7 November	ECOFIN Council
13 – 14 November	General Affairs and External Relations Council
13 – 14 November	Education, Youth and Culture Council
20 – 21 November	Agriculture and Fisheries Council
21 November	ECOFIN Council (budget)
23 November	Transport, Telecommunications and Energy Council
28 November	ECOFIN Council
30 Nov – 1 Dec	Employment, Social Policy, Health and Consumers Council

FUTURE PRESIDENCIES

Germany	January – June 2007
Portugal	July – December 2007
Slovenia	January – June 2008
France	July – December 2008
Czech Republic	January – June 2009
Sweden	July – December 2009
Spain	January – June 2010
Belgium	July – December 2010

The Finnish Presidency of the European Union 1 July to 31 December will focus on delivering key priorities for Europe's citizens – including energy security, enhancing European innovation and competitiveness and the next steps in EU enlargement. This Paper sets out the priorities of the Finnish Presidency and the views of Her Majesty's Government in detail.



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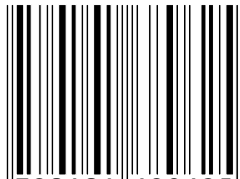
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