



This is an unofficial translation of the summary of the Swedish Government's communication on its work in the European Union 2004 (Skr 2004/05:60; submitted to the Riksdag 16 March 2005).

The Yearbook on EU 2004 – Summary

2004 was highly significant for the Union. Ten new Member States joined on 1 May. Negotiations with Bulgaria and Romania were concluded, and a decision was taken to start negotiations with Turkey and Croatia. The new Treaty was signed. A new Commission was appointed and an election to the European Parliament was held.

Enlargement

Negotiations with Bulgaria and Romania were concluded on 14 December. The countries will become members if they fulfil the conditions of the agreements by 1 January 2007. The European Council agreed on starting negotiations with Croatia on 17 March and with Turkey on 3 October 2005. Before negotiations are started a framework is to be established. This will be based on the conclusions adopted by the European Council. Further, it is required that Croatia will cooperate fully with the International Criminal Tribunal for the former Yugoslavia, ICTY, in order for the accession negotiations to be started on 17 March 2005.

New Constitutional Treaty

A uniform text will replace the present Treaty through the Constitutional Treaty signed on 29 October 2004. The Union will replace the Community as legal person and be entitled to enter into international agreements. The cooperation will no longer be divided into three pillars. The new treaty consists of four parts. The introductory part states the Union's values and objectives and contains provisions concerning the institutions. The second part contains the European Union's Charter of Fundamental Rights. The third part contains provisions for the various policy areas in which the Union is active. A very large part of these provisions already exist in the present EU and EC Treaties. The greatest changes concern legal and internal affairs, for example through the possibility of qualified majority Council decisions, and foreign and security policy decisions, where the overall coordination of the Union's actions is being strengthened. The fourth and final part regulates how the Treaty may be amended. The objective is that the Member States are to approve the Treaty – in parliamentary resolutions or after a referendum – by 1 November 2006.

The EU Financial Perspective

The issue of the future structure and overall contents of the long-term budget for the period 2007 – 2013 was discussed during the spring. Negotiations started in August on the Commission's proposed law texts. The Commission is proposing a level for common commitments of 1.26 of the EU's GNI, which can be compared with the present actual expenditure level of just under 1.00 percent. Sweden, as well as Germany, France, the United Kingdom, the Netherlands and Austria, recommends a maximum level of 1.00 percent of the EU's GNI for the commitment appropriations. Sweden also considers that the present discount system on the income side of the budget should be reformed and recommends a generalised correction mechanism to prevent excessively high charges per Member State. During the autumn discussions were held on a more detailed level concerning alternative proposals and cost levels. The European Council stated that the objective was still to reach political agreement in June 2005.

The Lisbon Strategy

The preparations for the forthcoming mid-term review of the Lisbon Strategy had a strong influence on the work. The importance of faster implementation of agreed measures in the Member States was given particular emphasis. An independent high-level group led by Wim Kok compiled a report as a basis for the review. The report stressed both the increasing external pressure for reform that tougher international competition entails, and the internal pressure implied by the demographic challenges and proposed measures for strengthening the implementation of the strategy. The report is clearly in favour of the strategy continuing to include all three dimensions; economic, social and environmental. The Swedish Government continued to emphasise strongly the importance of retaining this integrated approach, which is based on finding synergies between well-functioning markets, universal welfare policy and progressive environmental policy. All these policy areas can contribute to growth and more jobs.

An area of freedom, security and justice

A new five-year work programme was adopted for implementing an area of freedom, security and justice. The Hague Programme covers asylum and migration issues, criminal and civil law issues as well as policing cooperation. It builds further on the work done so far. It takes into consideration measures determined due to acts of terrorism in recent years. In spring 2005 the Commission will present a proposed plan of action for concrete implementation of the programme.

Foreign and security policy (CFSP)

The work was characterised by a certain amount of renewed unity after the rifts following in the wake of the Iraq crisis. The European security strategy adopted by the European Council in December 2003 was

followed up in four areas: terrorism, effective multilateralism, the Middle East, and Bosnia and Herzegovina. The year was also characterised by the preparations for the EU's greatest military crisis management effort so far, the operation in Bosnia and Herzegovina, which in December replaced the NATO-led operation SFOR.

The reform work that characterised the UN during the year also affected the EU. The High-Level Panel on Threats, Challenges and Change presented a report in December, with recommendations on how new global threats are to be met and how the UN is to be restructured to be able to handle them. While preparing the report the EU was an important discussion partner and proposer of ideas.

The European Security and Defence Policy (ESDP) continued to develop at a fast pace and decisions were made to start new crisis management efforts, for example in the judicial sphere in Georgia and a police operation in the Democratic Republic of the Congo. Through the ESDP the EU has also supported the African Union to settle the conflicts in Darfur, Sudan, as well as starting to look into the possibilities of a civil ESDP operation for Iraq in the fields of policing and the judicial system. New goals for developing military and civilian capacities have been adopted. One of the most important components is to set up both civil and military rapid reaction forces, in part to act in support of the UN. In July the European Defence Agency was set up, with the task of developing defence capabilities for crisis management.

The EU also continued its work to increase protection of and promote human rights all over the world. The European Council agreed to establish a representative for human rights, a proposal that was originally put forward by Sweden. Work in the field of disarmament and non-proliferation focussed mainly on following up the strategy against the spread of weapons of mass destruction that the Council adopted in December 2003. Extensive revision and modernisation of the EU Code of Conduct on Arms Exports was carried out. In connection with the lifting of the arms embargo on Libya, work was started on preparing an instrument for application of the Code of Conduct as regards countries where an embargo has recently been lifted.

Conclusions were adopted by the Council in which the Member States undertake to intensify consular cooperation within the framework of the 2003 guidelines, both as regards normal circumstances and in crisis situations in third countries.

Common trade policy

After the breakdown of negotiations in the WTO on the Doha Development Agenda, the Doha round, in September 2003, considerable efforts were made in the winter and spring to resume negotiations. Sweden actively encouraged the EU to show leadership and increased willingness to compromise. Sweden was proactive in the discussions within the EU that led to a change of strategy, entailing EU agreement to phase out export subsidies in agriculture. This helped to draw the WTO members' negotiating positions closer together, allowing a

decision to be made on a framework for continued negotiations. The so-called July Decision covers all parts of the Doha negotiations, though agriculture, industrial goods, services, simplified trade procedures and development issues are the main focus.

Sweden continued to be restrained as regards application of trade policy protection measures, and voted against a Commission proposal on simplified rules for decision-making on anti-dumping and equalisation measures that was subsequently adopted. Preparations to replace current generalised systems of preference (better tariff privileges for developing countries for imports to the EU) were started. Offering customs exemptions to developing countries that have ratified and apply international conventions in such areas as labour law and human rights is a new element of the Commission proposal for a new regulation. Sweden is advocating that even more generous terms should apply to developing countries.

The EU was a proactive force behind the WTO decision on TRIPS and health. The decision enables countries without domestic pharmaceutical production to import cheap copies of medicines for diseases such as AIDS, malaria and tuberculosis in the event of national public health risks. In November the Commission proposed a regulation for compulsory licences that implements the WTO decision within the EU.

A multi-party forum has followed up the EU's work concerning corporate social responsibility. The work is based on a Green Paper from 2001. In June the forum presented a final report with concrete proposals that are now to be discussed by a high-level group consisting of the Member States and the Commission.

Development cooperation

An issue of continued priority has been the follow-up of the World Conference on Financing for Development held in Monterrey in 2002. The Commission presented a communication in March on how the EU Member States had fulfilled the Commitments adopted by the EU for the Conference. Sweden is taking a proactive part in urging increased coherence in the EU and greater consideration of development aspects in all EU policy areas. The year has also been characterised by the preparations for the UN summit in September 2005 on the review of the Millennium Development Goals and the Millennium Declaration. The Council emphasised that the EU must show political leadership in the run-up to the summit and that the EU joint report should include concrete and ambitious proposals. The Council adopted conclusions on fighting poverty-related diseases (HIV/AIDS, malaria, TB) and on follow-up of commitments from the International Conference on Population and Development held in Cairo in 1994, focussing on sexual and reproductive health and rights. The discussions on the effectiveness of EU development assistance and the situation regarding ongoing reform work continued. Even though progress could be noted in several areas, considerable work remains.

The Cotonou Agreement, a partnership agreement between the EU and the African, Caribbean and Pacific States (the ACP States) was the subject of review, expected to be completed early in 2005. New elements of the Agreement include references to the International Criminal Court and the fight against terrorism.

In 2004, the Commission's Humanitarian Aid Department ECHO had a budget of EUR 490 million at its disposal, with the option of utilising a further EUR 221 million as necessary, which makes the Community one of the world's major donors of humanitarian aid.

During the year macro-financial support was granted for Albania, Bosnia and Herzegovina as well as Serbia and Montenegro. The European Investment Bank (EIB) has been preparing lending to Russia that in 2003 was included more clearly in the Bank's money-lending operations.

The EU's bilateral and regional relations

Negotiations between the Community and Norway on the third protocol to the EEA Agreement (processed food products) were concluded in October, after ten years. For Sweden the agreement means that the customs tariffs to Norway will be reduced or disappear altogether on a number of important export goods.

Within the framework of the Northern Dimension Environmental Partnership Russia drew up a strategic plan for future nuclear safety measures. Within the Partnership in Public Health and Social Wellbeing a successful ministerial meeting was held in Tallinn chaired by Sweden. In May the Commission presented a Communication with an overall strategy for European Neighbourhood Policy. On this basis, in December the Council adopted plans of action for Moldova, Ukraine, Tunisia, Morocco, Jordan, the Palestinian Authority and Israel, which give concrete form to the contents of the cooperation.

The endeavours of the EU and Russia to develop a strategic partnership progressed with a continuing high level of ambition. Two summit meetings were held. In January the Council adopted conclusions on Georgia in the light of domestic developments. The relations between the EU and Ukraine during the year mainly concerned the Presidential election in autumn 2004 and European Neighbourhood Policy. The EU's relations with Belarus continued to be strained.

During the year European Partnerships have been established with each of the countries in the Western Balkans. The partnerships formulate the most important priorities for each country's EU integration. Cooperation with the International Criminal Tribunal for the former Yugoslavia, ICTY, is a decisive issue in the process of establishing closer ties with the EU. In December the European Council resolved to start membership negotiations with Croatia on 17 March 2005 on condition that the country cooperates fully with the ICTY.

In May it was decided that the foundation for dialogue with the Barcelona Process would be named after Anna Lindh. The Swedish

Institute in Alexandria and the Alexandria Library will jointly host the foundation, which will start its work in spring 2005.

The conflict between Israelis and Palestinians continued to be a focus for EU efforts during the year towards peaceful development in the Middle East. A plan of action to support security reform and the economic area was drawn up by the High Representative. EU policy on Iraq was established in a strategy adopted by the Council in June. Germany, France, the United Kingdom and the EU High Representative reached agreement with Iran on the country's nuclear activities.

The EU has continued to safeguard strong and close cooperation across the Atlantic. A successful summit meeting between the EU and the USA took place in Ireland.

The Council has discussed the serious crisis in Sudan regularly and conclusions have been adopted at several meetings. Council Conclusions have also been adopted regarding the situation in the Great Lakes region and Somalia and regarding peace and security in Africa. The EU decided on advisory and supervisory policing measures in the Democratic Republic of Congo and has continued to support the implementation of the peace process in Liberia.

The EU drew up a common policy for Colombia, which opens up for increased political and economic support to the peace process. Development cooperation with Haiti was resumed, but parts of this are still conditional on an election being held in 2005.

Discussions on a possible lifting of the EU arms embargo on China have been intensive during the year, as has been the dialogue between the EU and China on human rights. The EU and India have decided to form a strategic partnership. The Donor Conference in Berlin and the Presidential election in October dominated the EU's involvement in Afghanistan in 2004. The EU tightened sanctions on Burma. ASEM held a summit meeting in Hanoi and the ten new EU Member States as well as Cambodia, Laos and Burma took part for the first time.

Economic and Monetary Union - EMU

Since 2003 a full revision of the general guidelines for economic policy is made only every third year. The 2004 guidelines differ from previous years mainly in that the new Member States are included. The Council concluded that the enlargement of the circle of members does not necessitate any new general guidelines. The country-specific recommendations for the new Member States underline the importance of achieving sound public finances, a level of balance of payments on current account that is consistent with sound financing, functional improvement of labour markets and raised productivity. For most of the other countries, including Sweden, the guidelines are unchanged since 2003.

During the year the Council discussed reform of the Stability and Growth Pact on the basis of a Commission Communication. Among other things the preventive component of the Pact is to be strengthened and its focus lie closer to the debt situation and long-term sustainability.

At its meeting in June the European Council adopted a declaration that emphasises the importance of the Pact for raising growth potential and ensuring sound public finances in the Union. During the year deficit procedures have been started for Cyprus, Greece, Malta, the Netherlands, Poland, Slovakia, the Czech Republic and Hungary. In the autumn the Netherlands had lived up to the Council's recommendation and in December the Commission reported that it was not intending to intensify the process in relation to Germany and France either. The fifth update of Sweden's convergence programme from 1998 was dealt with at the Ecofin Council in January and received a very good assessment.

Taxes

Discussions were started at the informal meeting of the Ecofin Council in September on introducing a common corporate tax base at EU level. The model entails calculating a common tax base for all EU companies in a group. The base will then be allocated between the states where the companies operate and the states will apply their company tax rate to their share of the tax base. In December the Council reached political agreement on amendments to the Merger Directive. These include widening the scope of the Directive. The Interest and Royalty Directive, one of the three parts of the tax package, has been extended during the year to cover the new Member States. The Commission also presented proposals for amendments to the Directive.

Discussions continued on the review of the reduced tax rates and zero tax rates in the VAT area. The Commission proposed that the new Member States be given the opportunity to participate in trying out low VAT rates on labour-intensive services. The Ecofin Council adopted a Directive in January giving the Council the possibility of adopting regulations on how the provisions of the Sixth Value Added Tax Directive should be applied. Later in the year a proposal for such implementing regulations was submitted. Other proposals discussed in the VAT area concerned country of taxation for supply of services and the introduction of one single point of contact for companies that are liable to tax in Member States where they are not established, due to sales to private individuals.

The Council has also adopted new Resolutions as regards administrative cooperation in the tax area.

The EU budget

Sweden continued to work towards achieving as restrictive an EU budget as possible. The budget amounted to about EUR 111,400 billion in commitment appropriations and about EUR 99,800 billion in payment appropriations. This implies an increase in relation to the 2003 budget of 11.5 percent for commitments and 2.3 percent for payments. One reason for the substantial increase is the enlargement by ten new Member States. The Commission's annual report on the Member States' receipts from the EU budget showed that Sweden's total receipts from the 2003

EU budget were EUR 1,450 million, equivalent to about SEK 13.1. This is an increase in relation to the 2002 budget of EUR 208 million, equivalent to SEK 1.9 billion. The net Swedish contribution according to the Commission's calculations was EUR 1,071, equivalent to about SEK 9.8 billion.

Measures to combat fraud and other irregularities

As a result of the evaluation report by the European Anti-Fraud Office, OLAF, published in 2003, in February the Commission presented proposals aimed at improving the effectiveness of OLAF's investigations. In its annual report for the 2003 budget year the European Court of Auditors continued to level criticism at weaknesses in the Commission's accounting system. A new system will, however, come into operation on 1 January 2005. The European Court of Auditors also notes that there are clear signs of improvement in the Commission's central administration.

Statistics

During the year it was established that not all Member States lived up to the requirements imposed as regards independence and objectivity of statistics. The Council therefore urged the Commission to draw up a European minimum standard by June 2005.

Regulatory reform is one of Sweden's high priority issues. In November the Council adopted a proposed reform in the area of statistics in the form of conclusions submitted to the Commission for action.

Among the decisions made by the Council in 2004 can be mentioned a new regulation on Community statistics on the information society, which will create better conditions for following and evaluating the objectives of the Lisbon process.

Cooperation in civil law matters

A matter that was much-discussed in 2004 was whether the Community alone has the authority to negotiate and enter into international agreements concerning court jurisdiction and recognition and enforcement of judgments in the area of private law or if the authority is shared with the Member States. The opinion of the European Court of Justice on the matter will be communicated in 2005 and is expected to clarify a number of jurisdiction issues.

The Council adopted a Regulation concerning a European Enforcement Order for uncontested claims and a Directive on compensation to crime victims. The Commission also presented a proposal for a directive on mediation in private law disputes as well as a proposed regulation on the introduction of a European order to pay.

Police and judicial cooperation in criminal matters and customs cooperation

The work against organised crime resulted in a number of Council conclusions on cooperation between private and public bodies on preventing organised crime, on measures for fighting organised crime in the Western Balkans as well as on setting up a strategic concept for fighting organised crime.

Measures against terrorism were high on the agenda. A special counter-terrorism coordinator within the Council was appointed and a plan of action against terrorism was adopted. Judicial cooperation in criminal matters was highly influenced by the European Council's Declaration on Combating Terrorism, which called on Member States to implement certain legal instruments by the beginning of 2005, including the EU Convention on Mutual Assistance on Criminal Matters and a framework decision on enforcement in the EU of decisions concerning freezing of assets. As a consequence of the Declaration on Combating Terrorism Sweden took part in an initiative for a framework decision on retention of Internet and telecoms traffic data. Furthermore, efforts to implement the principle of mutual recognition have continued, both as regards the draft framework decision on the European evidence warrant and recognition of disqualifications.

In the area of drugs the Council adopted a framework decision on drugs that contains minimum provisions on the constituent elements of criminal acts and penalties in the field of illicit drug trafficking. During the year the Council adopted both a Directive and a framework decision for the purpose of strengthening the fight against illegal immigration and human smuggling. The Council reached political unity on the framework decision on discharges from ships, the Directive will be considered by the European Parliament in 2005. Further, negotiations have been started concerning a proposed framework decision on certain procedural guarantees in criminal cases.

Controls on persons around the external borders of the Member States remained an important question. The Council adopted the Regulation creating an Agency for the management of operational cooperation at the external borders of the Member States (the European External Borders Agency) and the Regulation on standards for safety features and biometric identifiers in passports and travel documents.

Visas, asylum, immigration and other policies affecting freedom of movement of persons

The work of creating a common European system of asylum continued. The Council adopted the Directive on minimum standards for when third country nationals or stateless persons are to be regarded as refugees or as persons requiring international protection for other reasons, and on the legal status of these people and the content of the protection. The Council also confirmed the final version of the Directive on minimum standards for Member States' procedures for granting or revoking refugee status. The Commission further presented a statement

concerning common asylum procedures – a step towards more effective and uniform asylum processes.

For the purpose of harmonising European migration policy the Directive on the right of EU citizens and their families to move and reside freely within the territory of the Member States was adopted. The Directive simplifies the legislation by amalgamating nine existing Directives concerning employees. Further, political agreement was reached concerning a Directive for facilitating third country nationals' entry and residence in the Member States for purposes of research and on a similar measure for students. The Council has also decided to establish a common European visa information system (VIS). As regards integration, the Council has adopted common fundamental principles for integration policy in the EU, which are intended to form the basis of development, both in the individual Member States and at Union level.

Within the framework of measures against illegal immigration, the Council Directive on the residence permit issued to third country nationals who are victims of trafficking in human beings or who have been the subject of an action to facilitate illegal immigration, who cooperate with the competent authorities, was adopted.

Protection and emergency planning

A solidarity programme was adopted for mutual assistance between all the Member States in the event of extensive terrorist attacks. A special agreement has also been made to facilitate coordination of the UN and EU humanitarian efforts in the third world.

Growth and employment

The Council's recommendations to Sweden for 2004 showed that Sweden already fulfilled all the common EU targets for employment up to 2010. The Council considered that Sweden should primarily concentrate on combating the shortage of labour. Sweden's plan of action for employment for 2004 was submitted to the Commission and the Council on 1 October.

The Council and the Commission prepared a joint employment report for 2003/2004 in which it was stated that priority should be given to balance between flexibility and security for more adaptable enterprises and employees, increased labour supply in all groups, making work worthwhile through measures in a number of areas – including non-financial ones, such as childcare – and investing more effectively in human capital.

Labour market and social issues

It was not possible to reach an agreement on working conditions in staffing agencies. However, in April the Council adopted the Directive on exposure to electromagnetic fields, and in June the Irish Presidency, in cooperation with the Commission, presented a proposal for a directive on optical radiation at work.

In August the Commission presented the Communication Partnership for Change in an Enlarged EU in order to increase awareness of and understanding for the results of the Social Dialogue, improve its impact and promote further development on the basis of effective cooperation between the social partners at various levels.

The Committee on Social Security concentrated mainly on the forms of future cooperation on health and medical care and elderly care, as well as on the new Member States' plans of action against poverty and social exclusion. The Committee also continued its work in the pensions field in close cooperation with the Economic Policy Committee.

To mark the European Year of People with Disabilities 2003, Council conclusions were adopted to follow up developments concerning disabilities at EU level.

Some amendments were determined in the Regulation concerning application of the social security systems when moving within the EU and a new Regulation on coordination of the Member States' social security systems was adopted. It will not, however, be applied before an Implementing Regulation has been adopted. The common European health insurance card was introduced in June and after a period of transition will replace the current paper forms.

In May the Council reached political agreement on the Commission's proposal for a new Directive on Recognition of Professional Qualifications. The Directive is intended to replace all Directives on mutual recognition of qualifications and competences. A better system of cooperation between the national authorities is also proposed to facilitate mobility and to provide support and information to the citizens. The Directive also contains proposed simplifications to the conditions for temporary supply of services in another Member State.

Gender equality

The work of meeting the commitments in accordance with the Platform for Action from the 1995 UN Fourth World Conference on Women in Beijing continued in 2004. The Dutch Presidency presented indicators for following up the work against sexual harassment at the workplace and on the initiative of the Commission a database was developed to more easily follow up indicators drawn up previously as regards getting more women into top level positions in the political sphere.

In December the Council adopted a new Directive prohibiting gender discrimination regarding the trade in goods and services, in order to implement the principle of equal treatment of women and men as regards access to and provision of goods and services available to the public in both the public and the private sector.

In the autumn the Council dealt with a proposal for a modified directive on the equal treatment of women and men in employment and occupation. The purpose of the new directive is to simplify and modernise the rules for equal treatment. The directive will probably be finalised in 2005.

Public health

For a number of years, Sweden has been holding discussions on alcohol and public health with Member States and the Commission. In 2004 the Council adopted conclusions on young people and alcohol and repeated its previous request to the Commission to present a community strategy to reduce the harmful effects of alcohol. Sweden has also had a national expert placed in the Commission to work on the strategy.

The Council adopted a decision on the signature of the World Health Organisation Framework Convention on Tobacco Control. The Convention deals with legislation, political measures and other instruments that are effective in reducing the harmful effects of tobacco.

In December the Council adopted a new Drugs Strategy for the period until 2012, setting out guidelines for action by the Union on drugs. The strategy forms the basis for future action plans in the area. During the year a Framework Decision laying down minimum provisions on the constituent elements of criminal acts and penalties in the field of illicit drug trafficking was approved, as was a Council Resolution initiated by Sweden on cannabis. In addition, a Regulation on drug precursors (substances used in the production of drugs) and a Regulation laying down rules for the monitoring of trade in drug precursors were adopted.

A Regulation adopted in April established a European centre for disease prevention and control. The main task of the Centre, which will be located in Sweden, is to support and develop the preparedness of the EU in the event of health threats.

Health and medical care

A high-level group of political representatives of Member States has been established under the Commission to discuss important issues concerning the future of European health care systems.

Consumer affairs

The European Parliament and the Council adopted a Regulation on cooperation between national authorities responsible for the enforcement of consumer protection legislation. The Regulation entails the establishment of a network of public supervisory authorities.

The Council reached political agreement on the proposal for a directive concerning unfair business-to-consumer commercial practices in the internal market. The directive proposal aims at full harmonisation concerning unfair commercial practices that harm consumers' financial interests. It is expected that the directive will be adopted in 2005.

In January the Commission presented a Communication on spam that identifies the actions the Commission considers necessary to complement the EU ban on unsolicited commercial communications. Council conclusions were adopted on two occasions, both stressed the importance of international cooperation.

The Directive on General Product Safety entered into force at the beginning of the year. Work on a proposal for a new toy safety directive

continued, as did the Commission's work on the safety of services. The Commission has prepared an amalgamation of the network for consumer information and advice and the network for extrajudicial dispute resolution, which was implemented on 1 January 2005.

Progress of the internal market

The internal market is at the centre of the Lisbon Strategy as an element for economic growth and increased employment. More concrete results during the year include decisions on the mutual recognition of professional qualifications, cross-border mergers of companies and increased mobility for the families of third-country nationals. At the start of the year the Commission presented the first report on the implementation on the internal market strategy (2003-2006). It was noted that over half of the actions that were to be completed by the end of 2003 had been delivered.

Free movement of goods

During the year discussions have continued on the question of a simple and paperless environment for customs and trade (eCustoms). The revised Council Regulation concerning customs action against infringing intellectual property rights, such as trade in counterfeit and pirated goods, entered into force on 1 July.

Work to eliminate technical barriers to trade in the internal market is continuing. In all, during the year, the Community published 117 harmonisation Directives, 90 of which dealt with the internal market. Sixty-four of these concerned technical requirements for goods. The Council adopted a Directive on measuring instruments and a revised Directive on electromagnetic compatibility. A political agreement was reached on a revised Directive on machine safety.

In October a Resolution was adopted on the integration of environmental aspects into European standardisation and in December Council Conclusions were adopted on the role of European standardisation in the framework of European policies and legislation. Standards are voluntary private law documents drafted by interested parties in the area concerned (manufacturers, trade, authorities and organisations). The new approach means that standards are given an important role in legislative work.

The Council and the European Parliament decided at the beginning of the year on changes in existing Community legislation on pharmaceutical products, including a Directive on a special registration procedure for herbal medicinal products that do not fulfil the criteria for authorisation as medical products or registration as homeopathic products. During the year the Commission presented a proposal for a directive to accelerate development of medicines for use in treating children.

Free movement of services and capital

In January the Commission presented a Directive on services in the internal market as part of the Lisbon strategy.

Work on extending the application of the Lamfalussy process to banking, insurance and securities markets continued. In December the Council adopted a proposal for a directive with this aim. In June the Commission presented a proposal for a directive on new capital adequacy regulations for credit institutions and securities companies. The directive proposal is largely based on a new recommendation on capital adequacy rules, known as Basel II, adopted in June by the Basel Committee on Banking Supervision.

In June the Commission presented a proposal for a directive to prevent the use of the financial system for money laundering and financing terrorism. In part the proposal is a codification of existing Directives from 1991 and 2001 and it also contains a number of new proposals intended to update the Directive in line with the revised recommendations on money laundering adopted by the Financial Action Task Force on Money Laundering (FATF).

In April the Directive of the European Parliament and of the Council on markets in financial instruments was adopted. The Directive is part of work to establish an integrated market for financial services in the EU. The Directive of the European Parliament and of the Council on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market was adopted in December. The Council has also begun consideration of the proposal for a directive on reinsurance.

Intellectual property law

Negotiations on the Community patent have come to a standstill, mainly on account of the legal significance to be given to translations of claims in relation to the original text of the patent. Nor has any decision been taken on the establishment of a court system for the Community patent. However, the question of the patentability of computer-implemented inventions has come one step closer to a decision since a political agreement has been reached in the Council.

Work on the accession of the European Community to the Protocol relating to the Madrid Agreement concerning the international registration of marks has been completed. This has opened a way for a holder of a Community trade mark (CTM) to request international protection, and a holder of an international registration to request protection in the EU.

In September the Commission presented a proposal for a directive amending the Directive on the legal protection of designs, making it possible to protect the design of spare parts for complex products. The adoption of the Directive on the enforcement of intellectual property rights tightens action against infringements of intellectual property rights. The Directive contains provisions on the preservation of

evidence, the right to information, injunctions combined with recurring penalty payments and damages.

Enterprise

In 2004 competition and issues concerning small businesses have been in focus for enterprise policy. For example the Council adopted conclusions on boosting entrepreneurship, competitiveness and innovation. The Commission's Competitiveness package, which includes scoreboards and a competitiveness report, was discussed in preparation for the spring summit in 2005. This year's scoreboard shows that conditions for enterprise have displayed some improvement despite low growth. However, the Innovation Scoreboard shows that the position of the EU has deteriorated compared with the United States, that most new Member States have improved their positions and that Sweden, for instance, is performing better than both the United States and Japan. In February the Commission presented a European agenda for entrepreneurship.

Better regulation is one of Sweden's priority issues. There are two main approaches: One is about how best to develop new regulations and initiatives and the other is about how to improve existing regulations. During the year EU heads of state and government have called on the Commission to better integrate the competitiveness perspective into its impact analyses. In addition, initiatives have been taken to involve the Ecofin Council in regulatory improvement – for instance, work has started on developing a measurement method for the administrative burden on enterprises due to EU legislation.

Despite Swedish opposition the defensive mechanism for European shipbuilding was extended until 31 March 2005. A decision in the conflict between South Korea and the EU in the WTO concerning operating aids to shipbuilding is expected in the spring of 2005.

In the area of competition two important Regulations came into force: the Regulation on control of concentrations between undertakings (the EC Merger Regulation), which is intended to establish a faster, more open and more flexible procedure for the control of the acquisition of companies, and the Regulation on the implementation of the rules on competition laid down in Articles 81 and 82 of the Treaty. This Regulation is intended to increase the effectiveness of the application of EU rules on competition, enable supervision of serious restrictive practices and to establish cooperation on this in networks including national authorities and the Commission.

Research

The need for growth characterised work in the research field. The Commission has presented an orientation document on the coming framework programme for research and technological development, where a proposal can be found on introducing basic research at EU level.

An issue that Sweden had promoted vigorously, the need to set up a European Research Council, is included in the document.

Work on a European research programme focusing on territorial development is continuing. At present Sweden is responsible for five projects.

Between 2004 and 2006 the Commission is also carrying out a preparatory action on security-related research. The main areas in which research work is expected are monitoring the security situation, security and protection in network-based systems, civil protection from terrorism, improved crisis management and improved interoperability of communication systems.

Regional and structural policy

Discussions on the shape of future regional and structural policy intensified when the Commission presented its third report on economic and social cohesion. The Commission also presented a proposal for the financial perspective for 2007–2013 with a proposed expenditure level of EUR 336 billion for cohesion policy. Sweden insists that a total expenditure level for the next budgetary period of one per cent of the EU GNI is fully adequate for Union expenditure, a level that is substantially lower than the Commission's proposal. This requires clearer priorities and Sweden considers that cohesion policy must concentrate on new member States.

Transport

Development of the Galileo satellite navigation network continued. Decisions were taken on the future managing authority, which will take over management and ownership of the system and its resources. An agreement has also been signed between the EU and the United States in the area of satellite navigation.

In April the final decision was taken on the new guidelines for the transport trans-European networks (TEN-T). The Commission also submitted a proposal for the revision of the Financial Regulation for TEN-T and proposed that the rate of grant be increased from 2007 from the present maximum of 20 per cent to 50 per cent for priority cross-border projects.

The second traffic safety meeting of EU transport ministers in October prepared a document that formed the basis for the conclusions on traffic safety adopted at a Council meeting in December. The Directive on minimum safety requirements for tunnels in the trans-European road network was adopted in April. The Council took a decision on a common approach to a directive on driving licenses to the effect that all driving licenses issued in the future must be made of plastic and in credit card format. A political agreement was reached on the proposal for a regulation on driving and rest periods for road traffic. Work on the directive with rules for the weekend ban (system of harmonised international rules on driving bans for heavy goods vehicles

in international traffic) continued but it was not possible to reach political agreement. Nor could political agreement be reached on the Eurovignette Directive on the levying of tax and charges on certain heavy goods vehicles.

In March the Commission presented its third railway package. It contains four new legal instruments. In December the Council was able to agree on the general approach for a decision on the proposal concerning the certification of train drivers. In April the decision was taken to set up the European Railway Agency. The tasks of the Agency include providing technical assistance to the Commission and laying down a common approach for work on safety in the European railway system.

One focus of work in the area of maritime safety was the prevention of pollution from ships. The Council adopted a common position on the Commission's proposal for a directive on the introduction of sanctions for maritime pollution offences. The directive defines what are unlawful discharges. The responsibilities of the European Maritime Safety Agency (EMSA) were extended to include combating pollution, shipping security and the training of seafarers.

In March a Regulation on enhancing ship and port facility security was adopted. The Regulation means that the EU introduces large parts of the regulations of the International Maritime Organisation (IMO) into EU legislation to achieve a harmonised procedure for preventive measures to be taken to protect the maritime transport sector from criminal acts.

At the Council meeting in December the Commission presented a new proposal for a directive on access to the market for port services. Large parts of the proposal are based on the previous proposal that was rejected in the conciliation procedure by the European Parliament in 2003. The Commission also presented a proposal for a directive that aims to facilitate the recognition of certificates for seafarers issued by Member States and to further full compliance with the existing training and certification requirements. At a meeting in December the Council adopted a general approach on the proposal, which is now being considered by the Parliament.

The single European sky is a package of four Regulations that entered into force in April and are together intended to increase efficiency and safety in the Community air traffic system. A more rational subdivision of airspace, known as functional airspace blocks, will contribute to this. In addition, Member States will improve cooperation between civil and military authorities to realise a more flexible use of airspace. Common rules will also be set up for the provision of air navigation services and a more transparent system of charges. Finally, there will be technical harmonisation of the systems and components used in air traffic control.

A new Regulation establishing common rules on compensation and assistance to passengers in the event of denied boarding, cancellation or long delay of flights was adopted. In addition, a Regulation was adopted on insurance requirements for air carriers and aircraft operators. This Regulation introduces a requirement that air carriers and aircraft

operators with flights to, from, within or over the territory of a Member State must be insured in respect of liability for passengers, baggage, cargo and third parties. The insurance requirement applies to both commercial and private flights.

Electronic communications – information technology and society

Work on the eEurope Action Plan has continued. In December the Council adopted a Resolution on the future for ICT. The Resolution is broad and highlights important areas for further work in developing an ICT strategy for the EU after 2005.

The Commission presented a proposal to set up a programme for digital content, eContentplus. The overall aim is to create conditions for greater access to and use of digital content and conditions for services that use digital content to generate economic benefits. In December an agreement was reached between the Council and the Parliament on the programme.

The Regulation on the European Network and Information Security Agency, ENISA, has entered into force. The Agency will be a centre of expertise for information security matters and is to increase the capacity of the Community and Member States, and therefore also of industry, to prevent and deal with problems relating to network and information security.

A Communication from the Commission considered the question of mobile broadband services and examined the policy and regulatory environment for such services. General guidelines for setting up and operating a new top level domain for the EU on the Internet (.eu) were adopted, as were general principles for registration. The new domain is expected to come into operation in the spring of 2005. Work within the framework of the action plan on illegal and harmful content on the Internet was extended until the end of 2004.

In June the Commission adopted the first annual report on EU radio spectrum policy, the state of implementation and prospects for the future.

In December 2003 the first phase of the World Summit on the Information Society (WSIS) was held in Geneva. The second phase will be held in Tunis in November 2005. The Council has adopted conclusions on the follow-up of the first phase and preparations for the second phase of the summit.

In November the Publications Office merged the EU's two legal databases Eur-lex and Celex. The new database, which is called Eur-lex, is completely free to users and is adapted for people with disabilities.

Energy

Energy has been added to the new treaty as a new policy area with shared competence between the Union and Member States. The objective of the Union's policy will be to ensure the functioning of the energy market, guarantee security of energy supply, promote energy efficiency and

saving and develop new and renewable forms of energy. This is to be done within the context of the internal market and with regard for the need to preserve and improve the environment.

A Directive on cogeneration was adopted in February and a Directive on safeguarding security of natural gas supply was also adopted during the year. A political agreement was reached on the proposal for a framework directive on ecodesign of energy consuming products. Work on the Commission's package of proposals on energy infrastructure and security of supply continued.

General guidelines on a revision of the guidelines for Trans European Energy Networks were adopted in June, and in November a general approach was adopted on the directive proposal on secure energy supply. In November the Council adopted a common position on the Gas Regulation, which in brief entails a clearer definition of how the operation of the natural gas system will function.

The Commission presented a Communication concerning the share of renewable energy in the EU. The Communication describes the objective established for renewable energy and what actions have been taken. The Commission concludes that with the actions taken it will be difficult to achieve the objectives. It therefore stresses the importance of renewed and sustainable actions at national level and further actions were indicated. In November the Council adopted conclusions that contain a description of the importance of renewable energy and the areas in which renewed action is needed in order to achieve current objectives.

Common agricultural policy

Work was characterised by preparations for the implementation of the reform of the common agricultural policy. In April an additional step was taken in the reform process through decisions on the reform of the market regimes for tobacco, olive oil, cotton and hops. In the autumn discussions took place in the Council on the market regimes for sugar, fruit and vegetables, and bananas. A proposal for the amendment of the Swedish environmental and rural development programme was presented to the Commission. In part the amendments follow on from the agricultural reform. In the summer the Commission presented a proposal for a Council Regulation for rural development for the period 2007-2013. In the area of animal health and welfare the Council adopted a Regulation on the protection of animals during transport. In a later phase the Regulation will be followed up by new rules on travelling times and space requirements, as agreement could not be reached on these parts of the proposal. A Regulation on feed hygiene was also adopted. It regulates all activities of feed business operators from primary production to placement of feed on the market.

Common fisheries policy

The European stock of eels is currently outside safe biological limits and fishing has not been at sustainable levels in recent years. Conclusions

were therefore adopted on the Commission's action plan for the management of European eels and the Council underlined the importance of the immediate introduction of precautionary measures.

The Commission in July presented a proposal for a new regulation for structural actions in the fisheries sector in 2007-2013. The proposal places great emphasis on limitation of fleet capacity to achieve a balance between available resources and environmental improvement. In addition the scope of the Regulation is being extended and it is also directed at new target groups. Sweden supports this orientation. The Commission also presented a new proposal concerning the responsibilities, duties and organisation of a new Fisheries Control Agency will have its seat in Spain. A decision is expected in the spring of 2005. Work on installing satellite-based monitoring for vessels over 18 metres has been completed and vessels over 15 metres have also been included.

As regards cod in the Baltic, some important orientation debates have been held concerning fisheries management in the Baltic and the Council agreed that cod would be the subject of a number of actions intended to significantly reduce fishing pressure.

Food policy

Establishing a holistic approach to the food chain – from the farm to the table – and establishing a regulatory framework that is clear and easy to understand is the purpose of the first hygiene package, which was adopted in the spring. Improvements have been made to the regulations for public control of animal feedstuffs and food products through a new Regulation on the subject adopted by the Council. The Regulation is also of importance for animal health and the environment as well as for food safety for consumers.

An agreement has been reached between the Council and the European Parliament on maximum pesticide limits for food products and animal feedingstuffs. This means, for instance, that the same maximum limits apply throughout the Union, facilitating trade in food products and animal feedingstuffs.

The EU has approved the import of genetically modified maize. The requirement is that the maize and the products made from it must be marked so that consumers can choose between products from GMO maize and ordinary maize.

Environment

The Council took up the importance of promoting eco-efficient innovations in conclusions. The Council emphasises that it is important to establish fair conditions for market access and to make use of economic instruments and public procurement. It is important to cooperate with industry.

In June the Commission put forward a first assessment of how work on integrating environmental dimensions into Union policies, the Cardiff process, has functioned.

During the year the Commission presented a proposal for a new financial instrument for the environment, Life+. The intention is for Life+ to complement other environmental finance under the EU budget. It is proposed to achieve this by integrating environment into different sectors, such as competitiveness, agriculture and structural funds.

The European Parliament and the Council agreed on the Linking Directive. The purpose of this Directive is to enable companies that are covered by the EU emissions trading system for carbon dioxide to count emissions reductions from projects carried out by the companies outside the EU. This thereby links up the mechanisms of the Kyoto Protocol with the EU emissions trading system.

A political agreement was reached on the Directive on the sulphur content of marine fuels. The purpose of the Directive is to reduce emissions of sulphur dioxide and particles to the air from ships, but Sweden would have preferred to see a stricter directive. It was also possible to adopt Directives on arsenic, cadmium, mercury, nickel and polycyclic aromatic hydrocarbons during the year. These are about fixing common methods and criteria for assessing the concentrations in ambient air and deposition of these substances.

Negotiations on new chemicals legislation, REACH, intensified. This legislation is about the registration, evaluation, authorisation and limitation of chemicals. Among the points stressed by Sweden are that exemptions from authorisation procedure should be limited and that individual authorisations must be time-limited. A political agreement on the Directive on batteries and accumulators was adopted at the Council meeting in December. It deals with the rules for the collection, treatment, recycling and final disposal of all batteries and accumulators.

Education

The work programme for 2010 on the objectives for education and training systems lays down cooperation between 31 European countries in a more structured way than previously. Working groups were set up to gather and select examples of best practice from the policy and strategy being applied in different countries. These examples will be studied in order to identify success factors. It will be possible to spread good examples widely so that they can serve as tools to support policy development at national level.

The Council has adopted a common position in a uniform framework for the individual's qualifications and competences called Europass.

Youth and sport

The Council adopted a statement on racism and intolerance among young people and a resolution on social inclusion of young people. These areas are part of the youth framework where a youth perspective is brought to areas of relevance for young people. The heads of state and government of France, Germany, Spain and Sweden took the initiative

for a European Youth Pact ahead of the spring summit in 2005 on the Lisbon process.

The Treaty does not cover sport. However, in several rulings the Court of Justice of the European Communities has established the principle that sport should be subject to community law where it constitutes an economic activity under the terms laid down for the single market. The proposal for a new EU Treaty does, however, give the EU explicit competence in sports matters.

Culture and media

The Council adopted an action plan for culture in 2005-2006. The plan deals with the Lisbon strategy, coordinated digitalisation, the EU culture portal, promotion of mobility for works of art, art collections and exhibitions, and promotion of the mobility of persons.

The European Capitals of Culture in 2004 have been Lille (France) and Genoa (Italy). In 2005 Cork is the Capital of Culture.

The review of the TV Directive continued and experts from Member States have worked on the Directive. The review concerns both general regulatory issues and the advertising rules in the Directive as well as the right to short extracts and the right of reply. On the initiative of the Commission problems due to the transmitting country principle have been discussed for the first time in various forums. This is a success for Sweden and the other Member States that have worked actively for a long time to bring this matter to the attention of the Commission.

Activities of the Institutions

The voting rules in the Treaty of Nice entered into force on 1 November. This provided the opportunity of invoking new rules for qualified majority voting. In December the Council adopted an order of rotation for the Presidency. The order of rotation applies to the period 2007-2020 and the next Swedish Presidency will be in the second half of 2009.

The activities of the Commission were chiefly characterised by the appointment of the new Commission and the distribution of responsibilities among the 25 members. José Manuel Barroso of Portugal was appointed as the new President of the Commission for the period 2004-2009. Margot Wallström was appointed as the Swedish member and Vice-President of the new Commission.

In June elections were held to the European Parliament for the period 2004-2009. For Sweden the election resulted in the following distribution of seats: Social Democrats 5, Moderate Party 4, June List 3, Left Party 2, Liberal party 2, while the Centre party, the Green Party and the Christian Democrats were each awarded one seat. The Parliament was increased from 626 members to 732.

As regards the new staff regulations for EU employees Sweden has successfully pursued the issue of enhanced freedom of speech for EU officials. The old regulations said that officials were bound by secrecy. In

contrast, the regulations now say that they have a fundamental right to freedom of speech.