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Journalnummer
400.C.2-0

Kontor
EU-sekr.

17. juni 2003



Til underretning for Folketingets Europaudvalg vedlægges i forbindelse med Det Europæiske Råd i Thessaloniki den 19.-20. juni 2003 Rådets rapport om opfølgning på forårstopmødet 2003 (Bruxelles den 19.-20.06.03), 10371/03 REV 1.

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**COUNCIL OF
THE EUROPEAN UNION**

Brussels, 17 June 2003

**10371/1/03
REV 1**

POLGEN 45

REPORT

from : Presidency
to : European Council (Thessaloniki, 19/20 June 2003)
Subject : *Progress towards fulfilling the remits adopted by the
2003 Spring European Council (Brussels, 19/20 March 2003)*

At its meeting in Lisbon in March 2000, the European Council adopted a strategy intended to enable the Union to become, by 2010, 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.

Heads of State or Government again took stock of progress towards implementing this strategy, as developed at subsequent European Councils, at their meeting in Brussels in March 2003 and, in this connection, agreed a number of specific measures intended to achieve the objectives of the strategy.

This report seeks to provide a brief, factual overview of the extent to which the remits issued by the 2003 Spring European Council have been fulfilled. It focuses in the main on the remits for the Council for which the deadline was either the end of the year or earlier, or, in a number of selected cases, Spring 2004. The remits are arranged in the order in which they appear in the Presidency conclusions of the 2003 Spring European Council. The survey leads the Presidency to the view that the period since Brussels has seen several important successes but has also revealed the need for the rate of progress to be maintained or even accelerated on some issues.

I. ECONOMIC REFORMS TO RAISE EUROPE'S GROWTH POTENTIAL

Fostering enterprise and entrepreneurship

The European Council called for the conclusion before its June meeting of the Interinstitutional Agreement on better regulation (§24, 1st indent).

The Council, the European Parliament and the Commission reached an agreement on the Interinstitutional Agreement on Law-Making on 3 June 2003; the Council gave its political agreement to the draft agreement on 16 June 2003.

Connecting Europe – completing and extending the internal market on the eve of enlargement

Horizontal

The European Council called for effective application by Member States of legislation already agreed at the EU level. As a first step, Member States must make a renewed effort by July 2003 to meet the Stockholm and Barcelona targets for transposing Internal Market legislation (§ 26, 1st indent).

At the meeting of the Competitiveness Council on 19 May 2003, the Commission presented its **Internal Market Scoreboard** of May 2003, which states that the average transposition deficit for internal market Directives has risen over the last twelve months from 1.8% to 2.4%. Only five member States meet the European Council's target of a 1.5% deficit or less and only four Member States achieved the zero tolerance target for Directives whose implementation is more than two years overdue.

The European Council called for the final adoption of the proposed reform of the mergers regime before the 2004 Spring European Council; the new take-over bids directive should be adopted as soon as possible and the public procurement package should be adopted by July 2003 (§26, 5th indent).

As regards the **proposed Regulation on the control of concentrations between undertakings** ("EC Merger Regulation"), considerable progress has been made on a number of technical issues since the start of the examination of the proposal in January 2003. At its meeting on 13 May, the Competitiveness Council instructed the Permanent Representatives Committee to pursue the work with a view to allowing its adoption before the 2004 Spring European Council. The European Parliament's opinion (simple consultation procedure) is awaited for September 2003.

At its meeting on 19 May 2003, the Competitiveness Council had an in-depth discussion on the **proposal for a Directive on take-over bids** with a view to providing political guidance for the further work leading to the adoption of a Council's common position.

As for the **public procurement package**, the Council adopted on 20 March 2003 its common positions on the proposal for a Directive on the coordination of procedures for the award of public supply contracts, public service contracts and public works contracts and on the proposal for a Directive coordinating the procurement procedures of entities operating in the water, energy, transport and postal services sector. The two common positions are currently being examined by the European Parliament which is expected to deliver its second reading opinion at the end of June/beginning July 2003.

The European Council called for a consumer policy which put empowered consumers at the heart of a competitive internal market, giving appropriate follow up to the Green Paper on consumer protection, and progressing towards an effective single credit market through the Consumer Credit Directive (§26, 6th indent).

At its meeting on 19 May 2003, the Competitiveness Council held a policy debate on a number of key issues arising out of the **proposal for a Directive concerning credit for consumers** in order to give political guidance for the further work. The European Parliament's first reading opinion is awaited for October 2003.

The European Council called for the final adoption of the tax package

The Council adopted the **tax package**, i. e. the Directive on savings taxation, the Directive on interest and royalties payments and the Resolution on savings taxation, together with related statements, at its meeting on 3 June 2003.

Energy

The European Council called for the rapid final adoption and effective implementation of the Electricity and Gas Internal Market Directives and Regulation in compliance with the Barcelona Conclusions (§ 28, 1st indent).

The European Parliament adopted its amendments to the Council's common positions on the **proposed Directives concerning common rules for the internal market in electricity and in natural gas** as well as on the **proposed regulation on conditions for access to the network for cross-border exchanges in electricity** on 4 June 2003. The Council approved these amendments at its meeting on 16 June 2003, whereby the three acts in question are deemed to have been finally adopted.

The European Council urged the Council to agree pending financing rules and develop measures to reinforce energy infrastructures and energy networks in conformity with the Barcelona conclusions (§ 28, 2nd indent).

On 4 June 2003, the European Parliament adopted 5 amendments to the Council's common position of 6 February 2003 on the **proposal for a Decision laying down a series of guidelines for Trans-European energy networks**. The Council approved these amendments on 16 June 2003, whereby this Decision is deemed to have been adopted.

The European Council underlined the importance of reaching rapidly an agreement on proposals reinforcing cooperation in managing EU gas and oil stocks (§ 28, 3rd indent).

At its meeting on 14 May 2003, the Council held a policy debate on the proposed Directives concerning the security of supply for petroleum products and natural gas, with a view to giving guidance for the further work on these two proposals. The opinion from the European Parliament is expected to be adopted at the June/ July plenary.

Transport

The European Council called on the Council (Transport) to rapidly reach a final agreement on the second railway package as well as to adopt rapidly the Single European Sky and Port Services (§ 29, 1st indent).

At its meeting on 27-28 March 2003, the Council reached political agreement on common positions on the **Second Railway Package** (Directive on the interoperability of the Trans-European rail system, Directive on the Community railways, Directive on the development of the Community's railways, Regulation establishing a European Railway Agency). The Council is expected to formally adopt its common positions by the end of June 2003. The European Parliament is expected to adopt its amendments to the Council's common positions on the five proposals making up the **Single European Sky** package on 1 July 2003. Following the adoption by the European Parliament of its amendments to the Council's common position on 11 March 2003, the Council and the European Parliament agreed to convene the Conciliation Committee with a view to the final adoption of the proposed **Directive on port services**. The first Conciliation Committee is scheduled to meet at the beginning of September 2003.

The European Council urged the Council to accelerate its work so as to give a mandate to the Commission to negotiate an open skies agreement with the US (§ 29, 2nd indent).

The Council adopted a **Decision on authorising the Commission to open negotiations with the United States in the field of air transport** at its meeting on 4-5 June 2003.

The European Council called for a full and speedy implementation of the Barcelona conclusions regarding GALILEO, taking further steps to consolidate the work already undertaken to set up the joint undertaking in order to take the project forward through the selection of the concession holder and secure the necessary frequency assignments; and for a solution to be urgently reached on the division of budget contributions within the European Space Agency (§ 29, 3rd indent).

Following the designation of the Executive Director at the beginning of June, the Joint Undertaking has become fully operational. As a further step in the development of the GALILEO project, the Council adopted **conclusions on the integration of the EGNOS programme in the GALILEO programme** at its meeting on 5-6 June 2003. In these conclusions the Council agreed that EGNOS ("European Geostationary Navigation Overlay Service") should be used both as a precursor to GALILEO and as an instrument enabling GALILEO to penetrate rapidly the market for satellite radio-navigation services and should be placed henceforth under the control of the GALILEO Joint Undertaking. In addition, the Council agreed that the European Community will further contribute to EGNOS funding in the framework of the Community budget for the Trans-European networks under the present Financial Perspectives, as a separate item and in accordance with the TEN-T financial regulation, and that it will consider further contributing to this funding after 2006.

For Trans-European networks, the European Council invited the Council, in the light of the conclusions of the Barcelona European Council and following the report of the Van Miert High Level Group, to spell out conditions and directions needed in terms of "connectivity", especially in view of the enlargement (§ 30, 1st indent).

The Van Miert High Level Group is expected to deliver its report on 21 June 2003, on the basis of which the Commission will prepare a proposal for a comprehensive revision of the 1996 guidelines for the Trans-European transport network (TENs-T). It is expected that this proposal will be presented by the end of 2003.

Financial services

The European Council invited the Council to adopt by the end of 2003 the pensions and prospectuses directives and by April 2004 the investment services and the transparency directives.

On 13 May 2003 the Council approved the amendments proposed by the European Parliament at second reading to the **Pensions Fund Directive**, whereupon the Directive was deemed to have been adopted.

The Council adopted on 24 March 2003 its **common position on the Prospectuses Directive**. The European Parliament's opinion at second reading is expected by July 2003.

On 3 June 2003 the Council took note of a Presidency report on progress made on the **Investment Services Directive** and agreed that work should continue with a view to adopting its common position during the second half of the year. The European Parliament's opinion is awaited.

The Commission presented its proposal for the **Transparency directive** in April 2003 and technical examination is currently underway.

Building the knowledge-based economy

The European Council called for the European research and Innovation Area to be strengthened to the benefit of all in the enlarged EU by:

- *the application of the open method of coordination in support of research and innovation policy in areas such as action pursuing the 3% of GDP target for R&D investment, or*
- *developing human resources in science and technology, and the setting up a mechanism for taking stock of the progress achieved and assessing its efficiency,*

- *creating European technology platforms bringing together technological know-how, industry, regulators and financial institutions to develop a strategic agenda for leading technologies (§ 34, 1st and 2nd indents).*

At its meeting on 13 May 2003, the Council was presented with a **Communication from the Commission: "Investing in Research – An Action Plan for Europe"**. This action plan sets out a series of actions intended to contribute to reaching the objective set by the Barcelona European Council of increasing average research investment to 3% of GDP by 2010. A first set of actions aims at promoting a process of co-ordination with and between Member States and acceding countries, and provides for the creation of a number of "European technology platforms". The second set of actions aims at improving public support for research and technological innovation. Other actions address the necessary increase in the levels of public funding for research and the improvement of the environment for research and technological innovation in Europe (intellectual property protection, regulation of product markets and the fiscal environment).

At the same meeting, the Council adopted **Conclusions on Strengthening European Innovation Policy**", by which it in particular invited the Member States, acceding countries and the Commission to exchange good practices and consider launching initiatives offering, on a voluntary basis, independent evaluations of individual national programmes as well as to intensify their cooperation and create a framework of common objectives for strengthening innovation in the EU, including an assessment mechanism for taking stock of progress achieved.

- *noting the Space Green Paper, with a view to moving towards a true European space policy, and adopting a framework for a joint EC/ESA space strategy by the end of 2003 (§34, 4th indent).*

At its meeting on 13 May 2003, the Competitiveness Council adopted a **Resolution on the development of an overall European Space Policy**. In this Resolution the Council stressed the need for concluding the framework agreement between the Community and ESA no later than the end of 2003 as a step towards the further development of an overall European space policy. Furthermore it welcomed the Commission's intention to submit, in co-operation with ESA, a White Paper on space, setting out the objectives and containing proposals for required actions for a European Space Policy, with a view to a possible European Space Programme.

- *Member States and the Commission pursuing actively the agreed roadmap on biotechnology and rapidly finalising and implementing the necessary legislation (§ 34, 5th indent).*

At its meeting on 13 May 2003, the Competitiveness Council took note of a **Communication from the Commission on "Life Sciences and Biotechnology – a Strategy for Europe: Progress Report and Future Orientations"**. This Communication responds to the request from the Barcelona European Council to report on progress on implementing the Strategy for biotechnology which was endorsed by the Council's "Roadmap" adopted in November 2002. It concludes that progress has been made in some areas, but that others are suffering from serious delays, and provides guidelines, makes appropriate recommendations or announces new initiatives. Considerable progress is being made on the regulatory framework for GMOs. On 4 June 2003 the European Parliament adopted amendments to the Council's common position of March 2003 on the proposal for a **Regulation on the transboundary movement of GMOs**. The Council approved those amendments at its meeting on 13 June 2003, whereby the Regulation is deemed to have been adopted. As regards the **proposed Regulation concerning traceability and labelling of GMOs and traceability of food and feed products produced from GMOs** and the **proposed Regulation on genetically modified food and feed**, on which the Council adopted its common positions in March, the European Parliament is expected to adopt its second reading opinions at the beginning of July 2003.

The European Council called for a rapid finalisation of the work on the Community Patent (§ 37).

Following the adoption by the Council of a common political approach on the Community Patent at its meeting on 3 March 2003, intensive work is being conducted on a revised text of the proposal for a Regulation on the Community Patent which takes account of the various elements contained in the common political approach.

In order to boost the momentum behind the information society, the European Council called for:

- *the timely, effective and coherent implementation of the new regulatory framework for electronic communications by July 2003 (§38, 1st indent);*
- *the adoption of the directive on the re-use of public sector documents and the creation of a European network and information security agency by the end of 2003 (§38, 3rd indent).*

The implementation by Member States of the new **regulatory framework for electronic communications** (four Directives and a Regulation) which was adopted by the Council and the European Parliament in March 2002 is under way.

The Council adopted its common position on the proposal for a **Directive on the re-use and commercial exploitation of public sector documents** on 26 May 2003, thus taking an important step towards final adoption before the end of 2003. It reached a political agreement on the **proposal for a Regulation establishing the European Network and Information Security Agency** at its meeting on 5-6 June 2003.

Education

The European Council called for the implementation of the 10-year programme on the objectives for education systems, thus demonstrating the contribution of education and training to economic growth, inter alia by using benchmarks to identify best practice and to ensure efficient and effective investment in human resources (§ 40, 1st indent).

At its meeting on 5-6 May 2003, the Council adopted conclusions establishing a series of **reference levels (benchmarks)** for European average performance in education and training, which will be used for monitoring the implementation of the 10-year work programme. The reference levels agreed upon concern the average rate of early school leavers, the number of graduates in mathematics, science and technology, the completion of upper secondary education, the acquiring of basic skills, the participation in lifelong learning and the investment in human resources.

Furthermore the European Council called for the adoption by June 2003 of e-Learning and Erasmus Mundus Programmes (§ 40, 4th indent).

At its meeting on 16 June 2003, the Council adopted its common positions on both the proposed Decision establishing a programme for the enhancement of quality in higher education and the promotion of intercultural understanding through cooperation with third countries (**Erasmus Mundus**) and on the proposed Decision adopting a multiannual programme for the effective integration of information and communication technologies (ICT) in education and training systems in Europe (**e-Learning Programme**). These common positions will be transmitted to the European Parliament for second reading.

II. MODERNISING THE EUROPEAN SOCIAL MODEL

More and better jobs for all

The European Council invited the Commission to establish a European Employment Taskforce, headed by Mr Wim Kok, to carry out an independent in-depth examination of key employment-related policy challenges and to identify practical reform measures that can have the most direct and immediate impact on the ability of Member States to implement the revised European Employment Strategy and to achieve its objectives and its targets (§ 44)

The European Employment Taskforce, composed of Mr Wim Kok and seven other members, held its first meeting on 25 April 2003, where it agreed on its working methods and working calendar. A second meeting took place on 5 June 2003.

The European Council urged that momentum behind the Skills and Mobility Plan be maintained, inter alia by reaching a political agreement by the end of 2003 on the Directive on the mutual recognition of qualifications and by taking the necessary decisions to ensure that a European Health Insurance Card could start to be used from summer 2004 (§47, 2nd indent).

Work on the **Directive on Recognition of professional qualifications** is being actively pursued in the Council, the aim being to reach political agreement on a common position before the end of the year. The European Parliament is expected to deliver its first reading opinion in mid-June 2003.

The Council took note of a report from the Commission on the state of play of work on the **European Health Card** at its meeting on 2-3 June 2003. According to this report, work on the three draft Decisions (Framework Decision laying down the overall characteristics of the European Health card, Decision dealing with the issues relevant for the first stage and Decision setting the technical specifications of the European Card) tabled by the Administrative Commission for Social Security of Migrant Workers has been progressing rapidly.

The European Council called for an agreement by December 2003 on temporary agency work (§ 47, 3rd indent).

At its meeting on 2-3 June 2003, the Council had an in-depth discussion on the proposal for a **Directive concerning working conditions for temporary workers**. The discussion showed that opinion remains divided on a number of key issues, which need to be examined further in order to reach an agreement.

Solidarity and social cohesion

The European Council called for accelerating the process for the modernisation of Regulation 1408/71 in line with the timetable established at the Barcelona European Council (adoption by end 2003) (§ 49, 5th indent).

At its meeting on 2-3 June 2003, the Council took another important step towards final agreement on the proposed revision of Regulation 1408/71 by reaching a general orientation on Chapter 4 (Invalidity benefits), Chapter 5 (Old age and survivors' pensions) and Chapter 8 (Special non-contributory cash benefits) of Title III. It is recalled that the Council had already reached consensus at previous meetings on Titles I and II and on Chapters 1, 2 and 3 of Title III. Work on the remaining parts of the proposal (Titles IV, V and VI) will be pursued in the months to come with a view to reaching political agreement on a common position on the entire proposal by the end of 2003.

III. ENSURING DELIVERY ON THE ENVIRONMENTAL DIMENSION OF SUSTAINABLE DEVELOPMENT

Reversing unsustainable trends

The European Council invited the Environment Council to achieve a final agreement on the emission trading Directive (§ 54, 1st indent).

The Council adopted its common position with a view to the adoption of a **Directive establishing a scheme for greenhouse gas emission allowance trading within the Community** on 18 March 2003. The European Parliament is expected to adopt amendments to this common position at its plenary at the beginning of July 2003.

The European Council urged the Council to adopt before the Thessaloniki European Council the "Intelligent Energy for Europe" Programme (§ 54, 2nd indent).

On 13 May 2003, the European Parliament adopted its amendments to the Council's common position on the **Decision adopting a multiannual programme for action in the field of energy "Intelligent Energy for Europe" (2003-2006)**. The Council approved these amendments at its meeting on 16 June 2003, whereby the Decision is deemed to have been adopted.

The European Council welcomed the Commission's intention to present proposals developing a Community framework for pricing of transport infrastructure and a proposal for euro vignette by June 2003 (§54, 2nd indent).

The Presidency is given to understand that the Commission will come forward with a proposal for the "Eurovignette" system before the summer break.

The European Council called for urgent development and implementation of the new European chemicals legislation (§ 54, 5th indent).

At its meeting on 13 May 2003, the Council took note of an oral report from the Commission on the state of play on preparing the forthcoming proposal for new legislation on chemicals. It is expected that the Commission, after the public Internet consultation which was launched at the beginning May and which will end at the beginning July, will adopt its legislative proposal in late July or September.

Maritime safety

The European Council called for the Council (Transport) to reach agreement on 27 March on the proposal restricting the carriage of heavy fuel-oil in single hulled tankers and accelerating the timetable for the withdrawal of such tankers as well as for coordinated efforts by all Member States and the Commission for the establishment of a similar scheme as soon as possible at a world wide level through an amendment of the MARPOL Convention (§56, 3rd indent).

At its meeting on 27 March 2003, the Council reached a general orientation on the **proposal for a Regulation on the accelerated phasing-in of double hull tankers or equivalent design requirements for single hull oil tankers**. At the same time the Council adopted a common approach for the negotiations in the International Maritime Organisation (IMO) on the same subject with a view to the July meeting of the Marine Environment Protection Committee of the IMO.

The European Parliament adopted its first reading opinion on the proposal for a Regulation on the accelerated phasing-in of double hull tankers on 4 June 2003. The Council is expected to approve the European Parliament's proposed amendments at the end of June 2003, whereupon the Regulation will be deemed to have been adopted.

The Council called for adoption before the end of 2003 of a system of sanctions, including criminal sanctions for pollution offences (§ 56, 5th indent).

At its meeting on 27 March 2003, the Council was presented with the Commission's proposal for a Directive on ship-source pollution and on the introduction of sanctions, including criminal sanctions, for pollution offences. Work is being pursued actively on the proposal at the technical level, the aim being to reach political agreement on a common position at the Council (Transport) meeting in October 2003.

Policies and instruments for ensuring delivery

The European Council urged that final agreement be reached if possible by April 2004 on the Directive on environmental liability (§ 59).

Following the adoption of the European Parliament's first reading opinion in May 2003, the Council reached agreement on the main elements of the proposed Directive on environmental liability at its meeting on 13 June 2003. It instructed the Permanent Representatives Committee to solve rapidly the remaining technical questions with a view to adopting the common position as soon as possible.