



DECEMBER 2005

Two Cheers for the UK's EU Presidency

Richard Whitman and Gareth Thomas, Chatham House



- The final showpiece event of the UK EU Presidency will be the European Council meeting on 15–16 December 2005.
- The UK Presidency seems likely to be judged on whether an agreement on the future financing of the EU is reached at the summit. Failure to reach an agreement will lead many governments across Europe to view the UK Presidency as deeply disappointing.
- The desire of the UK to focus its Presidency on Europe's economic competitiveness has been less than successful and illustrates the impossibility for a six-month EU Presidency to bring about significant change during its period of office.
- A more balanced judgment on the UK Presidency is that it has been competent but uninspirational, rather than a disaster, and has a number of achievements to its credit.

Overview

The European Council meeting of EU Heads of State and Government on 15 and 16 December will be the most important event of the UK EU Presidency. This is because the Presidency is likely to be evaluated on whether it reaches an agreement on the future financing of the EU.

The UK Presidency commenced on 1 July against the backdrop of 'no' votes in France and the Netherlands on the EU Constitutional Treaty and an acrimonious summit under the Luxembourg Presidency in mid-June which failed to reach a deal on the EU budget. For many commentators the EU was in deep crisis.

However, in an inspirational speech to the European Parliament on 23 June Prime Minister Tony Blair performed a remarkable exercise in (briefly) boosting morale and raising expectations that the UK was to initiate a far-reaching debate on the future of European integration. But the speech, which was universally praised across Europe, was not systematically followed up by the UK government and was an early source of disappointment for other EU member state governments.

A more detailed examination of the UK EU Presidency as it draws to a close shows that the UK has actually fulfilled a substantial part of its intended programme. Regrettably for the UK government, the EU budget issue is overshadowing other achievements. There is a paradox in that reaching an agreement on the EU financing arrangements for 2007–13 was not on the UK Presidency's originally planned agenda; rather, it was unfinished business inherited from the preceding Luxembourg Presidency.

What makes a good EU Presidency?

Presidencies play an important role in the EU and a dysfunctional Presidency has a significant impact on its effectiveness. Although the member state holding the six-month rotating Presidency has few formal powers with which to directly influence the agenda, it is the conductor of the EU's business and plays a key role in advancing the EU policy agenda during its term of office. The formal responsibilities of the EU Presidency are to act as chair for Heads of State and Government, ministerial and other committee and working group meetings, to represent the Council of Ministers to the European Parliament and the European Commission and to act as EU representative *vis-à-vis* third countries and within international organizations. Consequently the Presidency is essentially a cheerleader for a well-established programme, rather than a powerful executive position. Effective Presidencies resolve differences between member states and broker deals to resolve disagreements. As successful EU Presidencies seek to be a part of a solution to problems rather than at the centre of the EU's disputes, it is unfortunate for the UK to have found itself so central to disagreement on the EU's future finances. For many EU member states the UK is a part of the problem, rather than a part of the solution, in reaching an agreement on the EU budget.

A more general evaluation of the effectiveness of the UK Presidency is not an easy task. *The Economist* recently suggested that it is not even particularly useful, declaring that 'one of the more pointless Brussels parlour games is to tot up the achievements of whichever country holds the Presidency'.¹ However, it is possible to assess the UK Presidency's achievements on the basis of the programme of work that it set for itself in advance of the Presidency.

The work programme for the UK's six-month Presidency is a part of the Multi-annual Strategic Programme for the period 2004–6, designed for the Irish, Dutch, Luxembourg, UK, Austrian and Finnish Presidencies. Multi-annual Presidency work programmes are agreed because, at best, a Presidency can only start, move forward or conclude the EU's agenda. Six months is too short a period in office to see policy or legislation fully devised or implemented. A more detailed Operational Programme of the Council for 2005, which fleshed out the timetable for implementing this strategy, is submitted jointly by both member states holding the Presidency in any given year. In this case, the operational programme was submitted by Luxembourg and the UK. Importantly, the member state at the helm also faces the challenge of managing the EU's response to external events and unexpected developments within the EU. The UK has faced both the domestic challenge of the London bombings on 7 July and the German general election in September, with the subsequent prolonged process of Germany's preoccupation with building a coalition government.

The UK government was also in the unusual position of holding the G-8 Presidency alongside its EU Presidency (its sixth EU Presidency, and its second under the Blair government). There has, however, been little real linkage between these two Presidencies because of the very different nature of the decision-making processes in the two organizations. The G-8 Presidency has provided an opportunity to focus on the big themes of Third World poverty and climate change, and to work for progress in these key areas with some of the most internationally significant states. The EU Presidency is much less glamorous; it requires working in a much more circumscribed manner in a more complicated set of institutional arrangements and with more limited objectives. The UK has tended to treat the G-8 Presidency as something to be celebrated; and the EU Presidency as something to be endured.

Progress under the UK Presidency

It is important to distinguish between a good Presidency for the EU and a good Presidency for the government of the member state holding the Presidency. These factors are not always mutually exclusive, but they rarely run parallel. Other EU member state governments will judge the UK on whether it reaches a deal on the EU budget. The British government will measure its success on this issue by its ability to reach a settlement that preserves the UK EU budget rebate on the basis of a formula that will not place the government in domestic political difficulties. The UK government was originally facing a

referendum on the EU Constitutional Treaty in spring 2006 and the EU Presidency would have provided a platform to prepare the electorate for the referendum. The government's decision to suspend the UK's ratification process, and the subsequent agreement of EU governments to defer discussions on the EU constitutional treaty with a 'period of reflection' until 2006, defused a difficult issue on the Presidency agenda. However, the UK government has failed to capitalize on the Prime Minister's speech to the European Parliament on 23 June calling for the EU to examine how it could engage the interests and enthusiasms of its citizens. Other EU governments expected the UK government to follow up with a plan for a programme of action, and in not doing so the Presidency failed to capitalize on an opportunity to influence the structure of the debate. This has been a significant failure.

The UK Presidency has, however, generally been a success in handling its role in chairing the ministerial, committee and working group meetings of the EU. This role represents a significant logistical and organizational challenge for the Presidency and there have been no criticisms of the UK's handling of this burden or its role in acting as the EU's representative in dialogue and summits with third countries. An exception to this efficient operation related to the logistics for the informal foreign ministers' meeting held in the UK in September. These provoked complaints and resulted in an apology from the Presidency.

Complaints of a different nature were directed towards the UK Presidency with regard to the agenda for the informal summit of Heads of State and Government at Hampton Court on 27 October. As the Slovakian Prime Minister, Mikulas Dzurinda, complained in advance of the summit: 'Silence reigns. We do not have information. We lack information, especially from the presiding country.' The Presidency's efforts to extend the olive branch to the French government by supporting the global adjustment initiative at the Hampton Court summit were shot down by clear signals that the new German government was unwilling to bankroll any new initiative when savings needed to be made elsewhere in the budget.² If the UK Presidency successfully delivers Turkish accession and a budget deal, the manner in which they have been achieved will do little to warm the relationship between the UK and the rest of the EU in 2006. For many new member states the Hampton Court meeting was an exercise in Presidential filibustering, with the UK playing for time on the budget issue that these member states felt was of the most pressing concern. There was, however, an important new initiative at the summit in Tony Blair's call for an EU energy security policy. The successful development of such a policy will fall to future EU Presidencies.

The UK Presidency has managed to maintain a united EU front in terms of foreign policy. There have been significant foreign policy challenges during its term of office and these have been handled in a manner which has not led to divisions between the EU member states. These include difficulties confronting EU nuclear diplomacy with Iran since the election of

President Mahmoud Ahmadinejad, maintaining good relations with China while negotiating the voluntary export restraints to limit the impact of Chinese textile and shoe imports; the earthquake in Pakistan; and responding to a growing fear of a flu pandemic created by the spread of HN51. Furthermore, renewed complications in the relationship with the US following allegations of CIA interrogation centres on European soil have been effectively handled: a collective EU request to the US government for clarification was a successful exercise in forging a common response.

The UK government set out its own expectations for its Presidency in its White Paper of 23 June 2005, *Priorities for the UK Presidency of the Council*. This organized the UK's aspirations under three headings: economic reform and social justice, security and stability, and Europe's role in the world. A final paragraph pledges to 'take forward the discussions on future financing'. A second White Paper, *Prospects for the EU in 2005: The UK Presidency of the European Union*, published on 30 June 2005, confirmed these priorities. The success of the Presidency to date will be assessed under each of these headings. The appendix to this paper details objectives set by the Presidency and offers a colour-coded analysis of the extent to which the Presidency has achieved its objectives.

Economic reform and social justice

In conjunction with the Barroso-led European Commission, the UK wanted to place an emphasis on resurrecting the Lisbon Agenda during its Presidency. A key litmus test of this achievement would be progress made in the field of Better Regulation, particularly planned reforms of chemical regulation (REACH), as well as development of the Financial Services Action Plan and the Services Directive. On Better Regulation, the Commission adopted a Communication on 25 October 2005 calling for the implementation of a three-year programme to simplify 222 basic legislations and 1,400 acts. The French government and the European Parliament's rapporteur were both extremely critical of a Commission plan to withdraw 68 legislative proposals from the inter-institutional circuit, particularly those relating to the regulation of heavy goods vehicles. The vagueness of the conclusions of the Competitiveness Council, held on 28 and 29 November, suggests that the Presidency failed to allay these concerns.

More substantial success was achieved with the progress made on REACH. Negotiations on the most appropriate way to synthesize Chemical Regulation into one legal structure had been ongoing for a number of years. When the Commission launched the REACH proposals in October 2003, Denmark, Finland, France, Germany and Sweden all raised concerns that the simpler legislation could have a detrimental effect on public health and the environment. The UK, whose thinking is more in line with that of the Commission, put discussion of REACH high on the agenda of both the Competitiveness Council and Environment Council. At the Competitiveness Council on 11 November, the UK tabled a compromise position that placated all member states with the exception of France. The compromise established by the main rapporteur, Gaudi

Sacconi (PES, Italy), and Harmut Nassauer (EPP-ED, Germany) in the European Parliament saw REACH pass its first reading on 17 November. REACH was once again on the agenda for discussion at the Competitiveness Council on 28 and 29 November. The member states are likely to vote through REACH at the Competitiveness Council on 13 December.

There have also been a number of developments relating to the liberalization and integration of service markets. Substantial progress has been made towards agreement on the Financial Services Action Plan (FSAP). The Commission Green Paper on Financial Services Policy 2005–10, which outlined an agenda for reform of the services sector, was adopted with little controversy. The Commission has requested comments on the first part of the FSAP and the Council is currently awaiting the White Paper on Financial Services Policy. The Services Directive has also passed an important hurdle. The European Parliament's Internal Market Committee put an end to months of acrimony when it voted through the Services Directive on 22 November. A coalition of centre-right, liberal and East European MEPs managed to vote through a version of the directive that was more in line with British thinking than that of the German, PES rapporteur, Evelyn Gebhardt. The committee maintained the 'country of origin' principle despite Gebhardt's efforts to replace it with a 'mutual recognition' principle to protect wages from competition. The directive now moves to its first reading at a plenary session of the European Parliament early in 2006. Both these events are good news for the Presidency's agenda, but the direct role of the UK Presidency in these developments is minimal.

As external representative of the EU, the UK Presidency has had an even more tangible success with the progress made towards liberalization of the US–EU aviation market. At the end of a week-long conference in Washington at the end of November, the efforts of Jacques Barrot and Daniel Calleja Crespo, as representatives of the Commission, and Alistair Darling, as President of the Transport Council, bore fruit. The text of the first ever aviation treaty between the US and EU has been agreed and linked to an offer from the US to ease its interpretation of legislation that limits foreign investors to a 25% voting stake, and a 49% equity stake in US airlines. The so-called 'open skies' deal was on the agenda of the 5 December Council, but full political backing is unlikely to be agreed until the US presents a definitive programme on liberalization in March 2006. These aviation talks were particularly difficult for the UK because of the desire for American airlines to have full access to Europe's busiest airport, Heathrow; and given that British Airways is a global UK-based carrier, the UK had to balance a wish to safeguard a strong national position within the negotiations with the impartial role of the Presidency.

The influence of the UK Presidency has been clearer still in the stalling of discussions on the Working Time Directive. This represents a victory of British interests over those of the EU as a whole. When the Commission tabled a proposal under the Luxembourg Presidency to change the opt-out clause available to member states within the directive, the UK

led a minority of governments which blocked its progress at the June Council. The operational programme for the year commits the Presidency to progress the issue further, but explicit discussion of the directive has been noticeably absent from the agenda of Employment, Social Policy, Health and Consumer Affairs Councils or Competitiveness Councils during the UK's tenure. The Presidency tabled a compromise position at the ESPHCA Council on 8 December, but it was rejected by fifteen of the member states. The lack of progress on the Working Time Directive can be viewed as a short-term 'success' for the UK government, but future Presidencies will return to the issue.

Security and stability

The aims of the UK Presidency in this area were divided into three further sub-sections: counter-terrorism, people-trafficking and enlargement. The headline achievement for the UK Presidency so far has therefore been in this field: the opening of accession negotiations with Turkey on 3 October. Yet there have been other achievements here too. In terms of counter-terrorism, the agreement and implementation of the June 2005 Hague Programme has continued, if not at a pace in line within the Council dossier on the EU's response to the London bombings, adopted on 13 July. The Presidency has achieved success in areas not quite specifically related to counter-terrorism – for example, the draft European Payment Order was approved at the Justice and Home Affairs (JHA) Council on 2 December. The potential remains for an agreement on a harmonized counter-terrorism strategy ahead of the European Council on 15 December, but a large number of ministers have had their mandate challenged by domestic legislatures. The efforts of the UK Presidency have focused successfully on efforts to reach an agreement to harmonize the retention of telecommunications, email and internet data in all member states for up to two years. Germany, Greece, Italy, Portugal and Slovakia have all raised concerns about the implications for civil liberties and the cost if this legislation is applied to all crimes. Through adroit chairing the Presidency reached agreement, via qualified majority voting, for a directive. The legal base upon which it was agreed may be subject to challenge in the European Court of Justice. In the European Parliament, the Civil Liberties Committee has agreed to a different version of the proposal, voting to limit retention to only 12 months and to force member states to reimburse industry for any storage costs incurred. Divisions remain open ahead of the European Parliament's vote on the issue at the plenary meeting on 12–15 December. The 2 December Council did make progress on the European Refugee Fund to help protect refugees 'at source'. The JHA Council endorsed a Spanish proposal brought forward at the Hampton Court summit to release €400 million from the European Neighbourhood Policy to finance the plan. The problem for the UK Presidency is that progress on this issue is now linked directly to the successful resolution of the budget negotiations.

In terms of its objectives with regard to enlargement, the opening of negotiations with Turkey

was indeed a considerable achievement. The Presidency faced considerable obstacles to achieving this goal. Public opposition to the Constitution in the Netherlands and France had been linked in part to fears about further enlargement would depress wages. In Germany, the Chancellor-in-waiting, Angela Merkel, espoused a 'privileged partnership' instead of full membership for Turkey.³ The Austrian government threatened to veto any attempt to open accession negotiations in the General Affairs Council (GAC). The position of the Presidency was helped by two events. The German elections did not present Angela Merkel with as clear a mandate as expected and, distracted by the need to build a grand coalition, the CDU was not represented at the GAC in Luxembourg. It was also precipitate that Carla Del Ponte, chief prosecutor with the UN war crimes tribunal, had reported on 3 October that Croatia had fully cooperated with the ICTY over General Gotovina. This enabled the UK to simultaneously open accession negotiations with Croatia, considerably placating Austrian opposition to Turkish membership. The amount of politicking involved in this decision was well demonstrated by the decision of Croatia's Catholic Christian Democrat Government to pay reparations to ethnic Germans expelled from Croatia at the end of the Second World War, a decision roundly attacked by Croatia's President, Stipe Mesic.⁴ Fortunately the decision to open negotiations with Croatia does not appear to have undermined the EU's transformative power in the region. Stabilization and Association Agreements (SAA) were opened with Serbia and Montenegro, as well as with Bosnia and Herzegovina (BiH). On 4 October, the refusal to open a SAA with BiH until much-needed police reform had begun forced the Police Reform bill through the Parliament of Republica Srpska on 6 October. The parliament of the predominantly Serb entity in BiH had rejected the bill twice.

In this respect it is 'mission accomplished' for the UK Presidency, but the manner in which the Presidency handled negotiations on Turkish accession did damage the relationship between the UK and its European partners. Negative reactions from a number of foreign ministries in the established member states seem to suggest that a crisis could have been avoided had the UK laid the groundwork of consultation more thoroughly leading up to the GAC on 3 October. The representatives of the Central and East European countries were also incensed by the fact that they were consulted only after a deal had been agreed with Ankara. This does not appear to have been incompetence on the part of the British government, but rather a choice to focus political energy and effort on dealing with Austria as the recalcitrant member state obstructing the formal decision. Even if the methods used by the Presidency were criticized, the resulting agreement to open accession negotiations was welcomed by member states.

Europe's role in the world

Europe's foreign policy has remained cohesive during the UK's Presidency. The EU maintained a united front with regard to Iran. This was made easier by President Mahmoud Ahmadinejad's call on 26 October for Israel

to be wiped off the face of the earth, which received a clear rebuke from Tony Blair as President of the European Union, and a still harsher one from him as Prime Minister of the United Kingdom. The EU3 (Britain, France and Germany) have persevered with an offer to renew talks with Iran, if the Iranian government accepts an offer to place its nuclear energy programme under Russian control. Elsewhere the EU's international involvement has grown at a steady pace in the second half of 2005. In September 2005, the European Union launched the first ESDP (European Security and Defence Policy) operation outside Europe and Africa, the monitoring mission in Aceh (Indonesia), in conjunction with contributions from Norway, Switzerland and a number of ASEAN countries. On 15 November the Council adopted a joint action that officially launches the EU Police Mission in the Palestinian territories (EUPOL-COPPS) as of 1 January 2006. The EU's involvement in Iraq has not grown at as fast a pace as the UK Presidency might have liked. Negotiations on a Third Country Agreement to increase political and trade cooperation have not started. Neither has a Commission Delegation Office opened on Iraqi soil. Nonetheless, the EU Political Directors did initiate a dialogue with Baghdad on 24 October and progress was made towards the opening of a Commission Delegation Office at the GAC on 7 November. In addition, a decision has been taken to extend EUJUST LEX (the Rule of Law Mission for Baghdad). In its representation of the EU at major summits with third countries, the UK has been a model Presidency. It agreed a deal at the JHA Council on 12 October, which concluded five years of negotiations with Russia on the granting of visas and readmission of illegal residents.

The UK was not able to use the opportunity of its parallel chairmanship of the G8 to promote a European response to two issues high on the public agenda in the second half of 2005: climate change and Third World poverty. On both issues, there was something of a disconnect between the UK's G8 agenda and the policies pursued during its Presidency. The June White Paper appeared to suggest that the UK wanted to ensure the EU led the discussion on climate change at the Montreal Conference from 28 November to 9 December. Yet the European approach to climate change appears to have undergone a transformation during the period in which the UK has held the Presidency. The second European Climate Change Programme, launched by the Commission on 24 October, gave much greater credence than its predecessor to technology-led solutions. The UK Presidency also welcomed the idea of a technology-led approach as an appropriate way to tackle problems created by US obstinacy and the rapid development of China and India. It has returned from Montreal with a deal better than might have been expected when it assumed the EU Presidency. The conference successfully agreed to establish a working group that will determine emission targets for the period 2013–17, once the Kyoto Protocol's first commitment period ends in 2012. This was an objective of the Government's White Paper of 30 June. It remains to be seen whether, when it meets in May 2006, the working

group can be used to agree reduction pathways in the order of 15–30 per cent for developed countries, as the Council had hoped. The UK also dedicated considerable time and effort to ensuring that the US was re-engaged at Montreal. These efforts bore fruit on 10 December when the US government, under increased pressure at home, agreed to sign a revised version of a statement calling for cooperation on climate change.

In the June White Paper, the UK Presidency stated that it aimed to agree a new long-term strategy on EU–African relations at the December European Council. At the informal African Development summit in Leeds, the UK, Luxembourg, Sweden, Denmark and the Netherlands all expressed concerns about the proposal tabled by the Commission for a joint development strategy on Africa. The UK's major concern was that the strategy should be financed by mechanisms outside the EU budget, so that it did not get embroiled in the protracted dispute over the financial perspective for 2007–13. This looks unlikely as the budget negotiations begin to dominate the run-up to the December Council. This may seriously damage the prospects for successfully reaching an agreement on a joint development strategy by the end of the Presidency.

There is also still a considerable amount of work to be done if the EU is to present a deal that comes anywhere close to meeting the Doha Development Agenda for the ministerial meeting of the WTO in Hong Kong from 13 to 18 December. One major stumbling block has been overcome in the conclusion of an agreement on reform of the EU's sugar regime. The conclusions of the Agriculture Council on 24 November accepted a deal that cut the EU sugar price by 36 per cent over four years. Unfortunately, the deal that the Presidency has coaxed out of the major players falls far short of the 39 per cent reduction over two years originally envisaged in the June council proposals. The ACP producers, those third-country producers who currently benefit from fixed pricing within the EU, have deplored the compensation they have been offered: €60m is scheduled to be paid to ACP countries in 2006. This deal does not match the Presidency's original objectives, but the ability to reach an agreement does put the EU in a moderately better negotiating position ahead of the WTO meeting in Hong Kong.

Despite this, the EU and other major players are still bogged down in the other parts of the quagmire surrounding agricultural reform. A plethora of issues in other sectors has yet to be discussed. Pascal Lamy, the President of the WTO, has already accepted that his objectives for the Hong Kong meeting will have to be scaled down. The UK Presidency, for its part, has successfully managed to uphold the mandate of Commissioners Peter Mandelson and Mariann Fischer Boel to negotiate on behalf of the EU, despite consistent challenges from the French government. Despite considerable efforts the Presidency has been impotent to enhance the prospects of the EU being able to offer anything that overcomes the current obstacles to the conclusion of the Doha Round. APEC (Asia Pacific Economic Cooperation) and the Cairns

group have published statements suggesting that they will block progress in any other area, if further concessions are not made on agriculture. The French agriculture minister, Dominique Bussereau, has maintained that Mandelson's offer to cut customs duties by 24.5 per cent on imported agricultural produce far exceeds his mandate.

Future financing

The problems experienced by the UK Presidency have been accentuated by the fact that any discussion of agricultural reform leads back to two things: the British abatement and the British government's overt ideological commitment to a particular model of economic reform. This is most clear when it comes to the dispute over future financing of the EU budget in the financial perspective 2007–13. The British government would probably have liked to postpone discussion of this issue during its Presidency, in much the same way that the 'period of reflection' agreed at the June summit saved it from leading discussions on the future of the EU constitution. Other member states and the European Commission have not allowed the issue to fall off the Presidency's agenda. The UK strategy appears to have had two clear strands. First, the UK Presidency has continually linked reform of the UK rebate to reform of the Common Agricultural Policy (CAP), as a distorting element of the EU budget. Second, it has adopted the same delaying tactics used to force an agreement on Turkey. The UK presented detailed proposals on the budget to EU member state governments on 5 December. The thrust of the proposals is that the British government will attempt to reduce the burden on the current net contributors to the budget by cutting the €160m regional aid planned for the Central and East European member states 'by no more than 10 per cent'.⁵ This reduction would be justifiable on the basis that the East European member states have thus far failed to absorb a substantial amount of aid within the two-year time limit for spending it. The reduction would be linked to an extension of the time limit in which the East European states are allowed to spend aid, as well as a 2009 review of spending, including the CAP. A key point of the UK proposals is that they have decoupled the CAP reform from any alteration to the UK's rebate. This has been done by presenting changes to the rebate as being driven by the UK's willingness to relinquish a proportion of it in order not to disadvantage the new member states and to make an appropriate contribution to eastern enlargement.

The UK proposals were not received warmly and the prospects of a deal on the budget are not auspicious. President Barroso has likened the approach to that of the Sheriff of Nottingham, robbing the poor to pay the rich.⁶ There has been a long-standing feeling in Brussels that the British insistence on linking reform of the rebate to the CAP came too late. In 2002, Tony Blair agreed to a set of CAP reforms set for review in 2013, and the UK's persistence in maintaining the rebate up until now has risked undermining attempts to secure a deal that would have ensured a

mid-term review of CAP reform prior to 2013. The real failure of the British government on the EU budget negotiations has been that it has not been actively advancing the case for a through review of all aspects of the EU's expenditure and financing over the last few years, but maintaining its position that the UK's EU budget rebate was non-negotiable.

Two cheers for the British Presidency?

The UK's Presidency of the EU has not been a disaster. There has been notable progress in a number of policy areas despite the potential for the Presidency to become embroiled in all number of external controversies. There has been considerable progress on both REACH and the Services Directive. It is, however, important to note that here the Presidency is dependent on delivery by other EU institutions such as the European Parliament and the European Commission. The Presidency can claim success for progress in these areas, but the success is not necessarily of its own making.

A key achievement is that the Presidency oversaw the opening of accession negotiations with Turkey. This was essentially reconfirming a decision already made, but a failure to open negotiations would have created considerable difficulties for the EU in its relationship with Turkey.

The prospects for a budget deal remain in the balance and the most recent proposals are likely to concede €6–9bn (over seven years) of the British

rebate, which will cause domestic political difficulties. Any outcome of the budget negotiations is unlikely to be satisfactory for all parties concerned but this may be the best deal that a UK government is in a position to offer. A British government no longer occupying the Presidency (and consequently keen to reach a deal during its term of office) may be a much less flexible negotiating partner, especially as it faces local government elections in May 2006 with the opposition Conservative Party seeking electoral success under a new leader.

There has also been disappointing progress on the Doha Round of WTO negotiations. Perhaps if the Presidency had been in the position of having to devote less energy to the budget issue it might have been able to devote extra political energy to strengthening the European commitment to these negotiations.

The UK Presidency will achieve a large part of what it planned to do. However, its style has damaged the UK's standing in Europe. The failure of the Prime Minister to follow up on his June speech on the future for Europe has left the impression that the UK is content with the EU's current status quo – and with the Constitutional Treaty being consigned to history. Perhaps the most damaging immediate impact of the Presidency on the interests of the British government will result from its preference for brinkmanship (over consultation) on the EU budget during its term of office. But if a deal is brokered at the European Council in December the UK will have a significant achievement to its credit.

Endnotes

¹ Charlemagne, 'Isolation forever', *The Economist*, 3 December 2005, p. 48.

² *Financial Times*, 28 October 2005.

³ *Financial Times*, 3 June 2005.

⁴ *The Guardian*, 30 November 2005.

⁵ *Financial Times*, 5 December 2005.

⁶ *Financial Times*, 1 December 2005.

Professor Richard G. Whitman is Senior Fellow, Europe at Chatham House.

Gareth Thomas is a European research intern at Chatham House.

Chatham House (The Royal Institute of International Affairs) is an independent body which promotes the rigorous study of international questions and does not express opinions of its own.

The opinions expressed in this publication are the responsibility of the author.

© The Royal Institute of International Affairs, 2005.

This material is offered free of charge for personal and non-commercial use, provided the source is acknowledged. For commercial or any other use, prior written permission must be obtained from the Royal Institute of International Affairs.

In no case may this material be altered, sold or rented.

APPENDIX: THE UK'S EU PRESIDENCY OBJECTIVES AND ACHIEVEMENTS

Explanatory note:

The status of the Presidency's achievements is indicated via colour-coding as follows:

GREEN: Presidency has completely realized its objectives.

AMBER: Presidency has either partially achieved its objectives and/or there is the prospect for fully realizing the objectives before the end of the Presidency.

RED: Presidency has failed to realize its objectives.

Abbreviations:

APEC Asia Pacific Economic Cooperation
 BiH Bosnia and Herzegovina
 EP European Parliament
 GAC General Affairs Council
 IAEA International Atomic Energy Agency

ICTY International Criminal Tribunal for the Former Yugoslavia
 JHA Justice and Home Affairs
 IGC Intergovernmental Conference
 PA Palestinian Authority
 SAA Stabilization and Association Agreement

Future Financing & CAP Reform			
Heading	Objective	Summary	Status
Future Financial Arrangements for the Union	The Commission Communication adopted on 10 February 2004 set a 1 January 2006 deadline for agreeing the 2007–13 financial perspective.	At the European Council on 16 and 17 June 2005, EU leaders failed to reach an agreement on the revenue and expenditure ceilings for the period 2007–13. Despite the efforts of the Luxembourg Presidency, the net contributors to the budget, including the UK, maintained that the size of the budget should be capped at 1% of Gross National Income. The UK continued to reject the Generalized Correction Mechanism as a justifiable alternative to the rebate, maintaining that agricultural spending needed to be reformed first.	Awaiting European Council, 15–16 December. Current proposals reduce expenditure by pairing a €7bn reduction to the British rebate over seven years with a 10% reduction of aid to Eastern Europe. The East European states will be given longer timeframes to 'absorb' aid and are eager to guarantee an assistance package prior to the 1 January deadline.
	The Commission invited the UK Presidency to complete discussions initiated under the Luxembourg Presidency.	On 20 October, President Barroso wrote to Tony Blair warning that the failure to reach a deal would be the defining moment of the Presidency and that the cost of that failure 'will be borne in the poorest parts of the Union'. ¹ The UK has been criticized for failing to use the informal summit at Hampton Court to tackle the issue, postponing discussion on modernization (the issue that caused most controversy in June) to a meeting of permanent representatives on 14 November. The first detailed proposals did not appear until 5 December, prior to a conclave of foreign affairs ministers on 7 December. They include a mid-term review of spending.	

¹ *Bulletin Quotidien Europe*, No. 9053, 27 October 2005, p. 7.

Economic Reform & Social Justice			
Heading	Objective	Summary	Status
<p>Economic Reform</p> <p>The UK Presidency was determined to help the Commission move toward the Lisbon goal of the EU as 'the most competitive knowledge-based economy in the world' as re-endorsed by the March 2005 European Council.</p>	Better Regulation	In August, the Commission drew up a list of 68 legislative proposals that it hoped to withdraw from the inter-institutional circuit. The French government and the EP's rapporteur also spoke out strongly against the withdrawal of a large part of this legislation, particularly that relating to heavy goods lorries. In October, the Commission adopted a Communication relating to implementation of the Lisbon programme – establishing a three-year programme for simplifying and updating 222 basic legislations and over 1,400 related acts.	Progress, but not an explicit success for the Presidency.
	Working Time Directive	Both the Commission and Parliament have called for the opt-out available to member states to be scrapped. At the European Council in June, the UK led a minority of governments that blocked progress on this initiative. In August, Alejandro Cercas (PES, Spain), Rapporteur for the Committee on Employment and Social Affairs in the EP, reiterated the need for it to be scrapped. Fifteen member states rejected a compromise position tabled by the Presidency at the Employment, Social Policy, Health & Consumer Affairs Council on 8 December.	Little progress has been made during the Presidency.
	Services Directive	Creating an Internal Market in Services. The UK is among those backing the 'country of origin' principle. In May 2005, EP Rapporteur Evelyn Gebhardt presented a draft report which attempted to replace 'country of origin' with a 'mutual recognition' principle that would protect against downward pressure on labour wages. On 22 November, a coalition of centre-right, liberal and East European MEPs backed a version that maintained the 'country of origin principle' in the Internal Market Committee.	Waiting for EP to complete first reading and for the Commission to issue its revisions. This will occur in Jan./Feb. 2006.

Economic Reform & Social Justice			
Heading	Objective	Summary	Status
	Financial Services Action Plan	<p>The Commission published the Green Paper on Financial Services Policy in May, which outlined the agenda for EU financial sector reform in 2005–10. The UK Presidency fully supported the approach outlined.</p> <p>On 11 November the ECOFIN Council adopted the Commission's Green Paper on Financial Services Policy 2005–10.</p>	Green Paper adopted. The Council is awaiting White Paper.
	The Chemicals Regulation (REACH) Synthesizing chemical regulation into one legal structure.	<p>At the Competitiveness Council on 11 October, the UK Presidency tabled a compromise that was well received. A number of member states still fear simpler legislation will have a detrimental impact on public health and the environment. Germany, Denmark, Sweden and Finland expressed concern that the simplified procedure should not apply to new substances.</p> <p>On 17 November, the EP backed the compromise position proposed by the main Rapporteur, Guido Sacconi (PES, Italy), and by Hartmut Nassauer (EPP-ED, Germany).</p>	13 December 2005 – Special Meeting of the Competitiveness Council to vote on REACH (first reading). High likelihood of success.
	The EU–US relationship	<p>The Presidency did a considerable amount of work in October to re-establish formal negotiations with US trade representatives on the 'open skies' deal.</p> <p>On 18 November, the text of the first ever aviation treaty between the US and the EU was agreed. The text was discussed at the 5 December Council.</p>	Full political backing is not expected until a definitive version of the US proposal on foreign control is produced in early March 2006.

Security & Stability			
Heading	Objective	Summary	Status
Counter Terrorism	Continued implementation of the Counter Terrorism Action Plan (2004) and Hague Action Plan (2005).	The efforts of the UK Presidency have successfully focused on reaching an agreement on data retention to harmonize the keeping of telecommunications, email and internet data in all member states for between 6 and 24 months. Directive approved by JHA ministers on 2 December. The Civil Liberties Committee in EP has agreed to a different version of the proposal, voting to limit retention to only 12 months. Divisions remain within the Parliament ahead of its vote on the issue at the plenary session on 12–15 December.	Awaiting EP Plenary Session, 12–15 December.
Enlargement	Turkey	Turkey's majority Muslim population enabled opponents to insinuate wider security implications and a threat to 'European' ideals. Austria had continually threatened to block any move in the GAC. In Germany, Angela Merkel maintained during her election campaign that a 'privileged partnership' could replace full EU membership. Nonetheless, accession negotiations opened late on the scheduled date of 3 October at a foreign-minister-level IGC in Luxembourg.	Achieved. At the end of negotiations, Oli Rehn, the Commissioner responsible for Enlargement, emphasized that despite tough negotiations no new conditions had been imposed on Turkey.
	Croatia	The primary objective was to secure greater efforts on the part of the Croatian government to locate ICTY indictee General Ante Gotovina. Gotovina was detained in Tenerife on 7 December and a significant hurdle to Croatia's accession has been removed. Prior to Gotovina's detention Carla Del Ponte, Chief Prosecutor with the UN War Crimes Tribunal, speaking on 3 October, asserted that the Croatian government had 'fully cooperated' with ICTY. On 14 October, Kurt Volker, US Principal Deputy Assistant Secretary of State for European Affairs, voiced his concern that the decision had set a bad example in the region. Political relations between Vienna and Zagreb since suggest a certain amount of political brokerage was involved in the decision to open accession negotiations.	Achieved. Accession negotiations were opened with Croatia on 4 October.
	Western Balkans	On 4 October, the GAC agreed to open an SAA with Serbia, but emphasized that it must step up efforts to deliver Mladic and Karadic. The Council expressed its regret that a lack of progress on police reform in BiH meant that an equivalent SAA could not be opened with BiH. Subsequently the federal parliament of BiH passed a law reforming the police force. On 21 November, the tenth anniversary of Dayton, EU foreign ministers meeting under the chairmanship of Jack Straw authorized the European Commission to launch negotiations on an SAA with BiH.	The transformative power of the EU still appears to be alive in the region.

Europe's Role in the World			
Heading	Objective	Summary	Status
Doha Development Agenda	Produce an outcome at Hong Kong Ministerial Summit in Dec 2005 that allows for completion of the Doha Round by the end of 2006 which will help to deliver a 'freer and fairer global trading system'. ²	On 10 October 2005, the US offered a 60% cut in 'amber box' [domestic] support to its farmers to kick-start 'stalled negotiations' ³ – 5% lower than proposed in an earlier EU offer. On 11 October, Commissioner Peter Mandelson presented an offer to reduce customs duties by an average of 24.5% on agricultural imports. A week later, the French government called for Mandelson to abstain from forthcoming WTO meetings because he had failed to demonstrate satisfactorily that the offer was contained within his mandate. Despite these concerns, the GAC has reiterated its backing to Commissioners Mandelson and Mariann Fischer Boel. External groups such as APEC have demanded further concessions on agriculture from the EU, before they will consider negotiating other areas.	On 28 November Pascal Lamy submitted a draft agenda for the Hong Kong WTO Ministerial Meeting on 13–18 December, which demonstrated that ambitions have been driven downwards. It is unlikely the Doha round will become the 'development' round at Hong Kong.
Africa	Increased coherence to European policy.	At the plenary session of the EP on 20 October, Commissioner Louis Michel outlined an EU strategy to be adopted by EP and Council by the end of the year. A number of disagreements emerged at the informal summit in Leeds, primarily over financing the strategy. The UK government remains opposed to the integration of the European Development Fund within the main community budget. ⁴ At its meeting on 22 November 2005, the General Affairs and External Relations Council, in its formation of Development Ministers, adopted the EU Development Policy Statement. This demonstrated an unparalleled commitment to coordinate development policy within a single framework of principles.	Achieved in part, but continued disagreement on the most appropriate way to harmonize European aid to support joint development strategy.

² FCO, June 2005, p. 27.

³ *Bulletin Quotidien Europe*, No. 9045, 11 October 2005, p. 7.

⁴ FCO, June 2005, p. 20.

Heading	Objective	Summary	Status
Climate Change	The March 2005 European Council underlined the EU's willingness to lead discussions on the follow-up to the Kyoto Protocol's first Commitment period, which ends in 2012.	On 24 October 2005, the Commission launched the European Climate Change Programme (ECCP II), which placed a greater emphasis on technology-led solutions than its predecessor. This was combined with an 'open agenda' adopted ahead of the Montreal Climate Change Conference, in an attempt by the Commission and Presidency to re-engage the US and China. The EU's open negotiation strategy came under attack from a number of environmental NGOs for being too weak. The Montreal Climate Change Conference established a working group to determine post-Kyoto emission targets. It also saw the US sign up to a statement calling for cooperation on the issue.	28 November–9 December: Climate Change Conference, Montreal. It remains to be seen how well the EU is able to use the working group as a forum to secure reduction pathways for developed countries in the order of 15-30% by 2020, as previously agreed by the Council
Peace, Stability & Reform in the Middle East	Iran	Following the Presidential elections on 24 June, President Mahmoud Ahmadinejad has made things increasingly difficult. On 22 August the EU3 (UK, Germany, France) decided against immediately sending the Iran dossier before the Security Council. On 26 October, EU Heads of State faced a major test and maintained a united front when Ahmadinejad suggested that Israel should be wiped off the face of the earth. On 7 November, the General Affairs and External Relations Council conclusions urged Tehran to implement all measures requested by the 24 September IAEA Board of Governors. Iran rejected the invitation of the GAC to suspend all uranium conversion. On 10 November 2005, the IAEA suggested that the EU3 and the US are prepared to let Iran carry out the first stage of making nuclear fuel under supervision in Russia. ⁵	Growth in support for this solution has been surprisingly rapid, especially in the US. Russia has little strategic interest in allowing Iran to develop nuclear weapons, but a wealth of expertise that it can export. ⁶
	Iraq	The UK Presidency wished to build up the EU Rule of Law and Police Training missions with some missions being conducted in Iraq, and to lay the foundations for negotiations to commence on a Third Country Agreement to increase political and trade cooperation. The UK Presidency also hoped that the Commission Delegation Office in Baghdad would open during its tenure. None of these objectives have been achieved. Nonetheless, the EU Political Directors Troika visit to Baghdad on 24–26 October initiated a formal dialogue. The conclusions of 7 November GAC Council noted that EUJUST LEX (Rule of Law Mission-Baghdad) would be extended.	None of the milestones laid out in FCO document of 30 June 2005 yet achieved, but the EU's relationship with Iraq has moved forward.

⁵ *Bulletin Quotidien Europe* 11 November 2005.

⁶ *Financial Times*, 4 October 2005.

Heading	Objective	Summary	Status
	<p>Middle East Peace Process: support disengagement from Gaza as laid out in the London Meeting in March 2005, and those efforts undertaken by Special Envoy Wolfensohn and US Security Coordinator Lt. Gen. Ward, to ensure that Gaza is both secure and economically viable post-withdrawal.⁷</p>	<p>On 5 October, the European Commission adopted a Communication to the Council and Parliament on 'EU–Palestine cooperation beyond disengagement – towards a two state solution'. A direct response to Wolfensohn's call for international community to double aid, this Communication builds on €60m earmarked for a post-disengagement package. On 26 October, the EU Political and Security Committee gave its agreement in principle to launching an EU Police Mission in the Palestinian territories (EUPOL-COPPS). On 7 November, the EU Council of Foreign Ministers formally adopted a joint action describing the aims and mandate of a three-year mission.⁸ On 15 November, the EU reached agreement with Israel, the PA and the US to launch a twelve-month mission to monitor the Rafah border control. On 16 November, the Council adopted the joint action that officially launched EUPOL-COPPS as of 1 January 2006. On 25 November, the ESDP mission at Rafah border crossing was launched.</p>	<p>Concrete progress made by delivering support for Lt. Gen. Ward with Police Mission. The Commission's communication which advocated further support, as requested by Wolfensohn, was warmly received at the 7 November GAC and will be subject to further discussion in the future.⁹</p>
Defence Capability	<p>The member states should finalize the Requirements Catalogue. The EU seeks to further develop rapid-response Battlegroups initiative.</p>	<p>The Requirements Catalogue presented in November listed progress in the same four areas that had been listed in May's version – deployable labs, seaport of disembarkation units, operations headquarters and mechanized infantry battalions. However, the EU has completed the timetable for Battlegroups with the creation of two new groups: a Greek/Romanian/Bulgarian/Cypriot group for late 2006, and a Czech Republic/Slovakian group for 2009. All member states except Spain have signed up to the implementation of a code of conduct designed to open up the European armaments market on 1 July 2006.</p>	<p>Some progress in those areas where both the UK and France wanted it, particularly in integrating armaments market. France did not use the neutered position of the presiding country to push its vision of the European defence structure as had been predicted.</p>

⁷ FCO, June 2005, p. 26.

⁸ *Bulletin Quotedien Europe*, No. 9057, 27 October 2005, p. 8.

⁹ http://www.fco.gov.uk/Files/kfile/GAERC_Conclusions_ExternalRelations_7Nov.pdf.

Heading	Objective	Summary	Status
EU Sugar Regime Reform	The UK Presidency aims to induce an agreement around a market-based approach to the sugar sector in readiness for any liberalization that may be thrust upon the EU as part of the WTO Doha Round.	On 22 June, the Commission proposals advocated reduced production and a radical narrowing between EU and world prices. At the Agricultural-Fisheries Council on 24–25 October, eleven member states sent a letter to Commissioner Mariann Fischer Boel calling for a 'reasonable decrease in institutional process'. ¹⁰ On 16 November, a high-level group of experts from member states advocated keeping the 'safety net' in place, creating an internal restructuring fund and a system to facilitate checks on imports of sugar from third countries.	Agricultural Council 22–24 November. Deal agreed, but 36% cut in EU price over 4 years, rather than 39% over 2 years originally envisaged in the June proposals. ACP producers deplore compensation offered. €60m is scheduled to be paid to ACP countries in 2006.
Russia and Ukraine	Russia	The EU-Russia summit on 4 October endorsed visa facilitation and readmission agreements. Talks focused on the 'four spaces' agreement, particularly the economic sphere, Russia's WTO accession and enhanced cooperation in the energy sphere. A number of other topics were discussed, such as Iran. A joint EU–Russia statement was not issued at the end of the summit, as is usually the case; instead the two leaders addressed an informal press conference. At the JHA Council, on 12 October, the EU and Russia finalized two agreements to facilitate the procedures for the granting of visas and the readmission of illegal residents. This concluded five years of negotiations. Once ratified, the agreement will improve cooperation on illegal immigration and speed up and simplify short-stay visa applications to facilitate increased movement between the EU and Russia.	Progress, of sorts.
	Ukraine	During the 1 December EU–Ukraine summit, President Barroso and Prime Minister Blair made a formal announcement recognizing Ukraine as a market economy and supporting its application for membership of the WTO. Progress was also made on cooperation on energy and aviation.	Relationship developed as expected.

¹⁰ *Bulletin Quotidien Europe*, No. 9057, 27 October 2005, p. 12.