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Two Cheers for the UK's EU Presidency

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• **Despite its success at securing agreement on the future financing of the EU, many governments across Europe came to view the UK Presidency as disappointing because of its failure to deliver on Prime Minister Tony Blair's promise to reinvigorate the European project.**

• **A more balanced judgment on the UK Presidency is that it was competent but uninspirational, rather than a disaster, with a number of achievements to its credit.**

• **The desire of the UK to focus its Presidency on Europe's economic competitiveness, however, was less than successful and illustrated the impossibility for a six-month EU Presidency to bring about significant change during its period of office.**

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Overview

The UK Presidency of the EU commenced on 1 July 2005 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 had failed to reach a deal on the EU budget. Many commentators claimed the EU was in deep crisis. The Commission President had publicly stated that this new Presidency would be evaluated primarily on its ability to reach an agreement on the future financing of the EU by the end of its tenure. The issue was unresolved as the European Council meeting opened in December and the success or failure of the Presidency seemed to hang in the balance.

Almost six months earlier, in an inspirational 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, Prime Minister Tony Blair had 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. That the speech, which was universally praised across Europe, had not been systematically followed up by the UK government was a source of disappointment for other EU member state governments. A number of commentators disparaged the UK's EU Presidency for failing to address the fundamental disagreements at the heart of the European project. The seemingly successful conclusion of budget negotiations would prove yet another stop-gap measure delaying much-needed reform of the budgetary system.

A more detailed examination of the UK EU Presidency, however, shows that the UK actually fulfilled a substantial part of its intended programme. Regrettably for the UK government, the EU budget issue overshadowed other achievements. Ironically, reaching an agreement on the EU financing arrangements for 2007–13 was not on the UK Presidency's original agenda; rather, it was unfinished business inherited from the preceding Luxembourg Presidency. In fact, controversies experienced by the presiding member state often highlight a deeper failure of institutional design, exposing the impotence of the Presidency as such, rather than a failure by any given member state to fulfil the terms of office.

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 influence the agenda directly, 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 the solution to problems rather than at the centre of the EU's disputes, it was 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 was part of the problem, rather than 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 was 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, which fleshes out the timetable for implementing this strategy, is submitted jointly by both member states holding the Presidency in any given year. In 2005, 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 was faced with both the domestic challenge of the London bombings on 7 July and the German general election in September, with the subsequent prolonged process of building a coalition government, which meant Germany was preoccupied domestically during this period.

The UK government was also in the unusual position of holding the G8 Presidency alongside its EU Presidency (its sixth EU Presidency, and its second

under the Blair government). There was, however, little real linkage between these two Presidencies because of the very different nature of the decision-making processes in the two organizations. The G8 Presidency 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 was considerably less glamorous; it required 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 G8 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 judged the UK on whether it had the capacity to reach a deal on the EU budget. The UK government seemed to measure its success on this issue by its ability to reach a settlement that preserved the UK's EU budget rebate to a degree that minimized domestic political difficulties. Before the French and Dutch 'no' votes, the UK government would originally have been 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 the domestic pressure on the Presidency agenda to some degree. However, as noted above, the UK government did not follow up Blair's speech of 23 June with the expected plan for a programme of action. This was a significant failure to capitalize on an opportunity to influence the structure of the debate.

The UK Presidency was, however, generally 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 were 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 Newport in September. These provoked complaints which resulted in an apology from the Presidency.

Complaints of a different nature were directed towards the UK Presidency over 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, protested in advance of the summit: 'Silence reigns. We do not have information. We lack information, especially from the presiding country.'[2] 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 undermined 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.[3] Although the UK Presidency successfully delivered Turkish accession negotiations and a budget deal, the manner in which they were achieved has done 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 other member states felt was of the most pressing concern. There was, however, an important new initiative at the summit in 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 managed to maintain a united EU front in terms of foreign policy. There were significant foreign policy challenges during its term of office and these were handled in a manner which avoided divisions between the EU member states. These included 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 on 8 October; and responding to a growing fear of a flu pandemic created by the spread of the H5N1 virus strain. Furthermore, renewed complications in the relationship with the US following allegations of CIA interrogation centres on European soil were 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 to the European Parliament on 23 June 2005 in *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 pledged to 'take forward the discussions on future financing'. A White Paper presented to the UK parliament, *Prospects for the EU in 2005: The UK Presidency of the European Union*, published a week later, on 30 June, confirmed these

priorities. The success of the Presidency 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 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. With regard to Better Regulation, on 25 October 2005 the Commission adopted a Communication calling for the implementation of a three-year programme to simplify 222 basic pieces of legislation 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 28–29 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 the 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 in the European Parliament by the main rapporteur, Gaudi Sacconi (PES, Italy), and Hartmut Nassauer (EPP-ED, Germany) saw REACH pass its first reading on 17 November. REACH was once again on the agenda to be discussed at the Competitiveness Council on 28–29 November. The UK Presidency had planned a vote on it at this meeting, but instead allowed ministers further discussion to allow the recently formed German and Polish governments to finalize their positions. At a special meeting of the Competitiveness Council called on 13 December, the 25 member states achieved an agreement on REACH, which paved the way for other Presidencies to persuade the European Parliament to reach a joint agreement during 2006.

There were also a number of developments relating to the liberalization and integration of service markets. Substantial progress was 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 requested comments on the first part of the FSAP and published a White Paper on Financial Services Policy on 5 December which differed little from the original Green Paper. The Services Directive 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 moved to its first reading at a plenary session of the European Parliament on 15 February 2006. Both these events were good news for the Presidency's agenda and provided positive news coverage for the British government, but the direct role of the UK Presidency in these developments was minimal.

As external representative of the EU, the UK Presidency 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 was agreed and linked to a proposal by the US to ease its interpretation of legislation that limited foreign investors to a 25% voting stake, and a 49% equity stake, in US airlines. The proposal is still undergoing review. 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, and no agreement is expected to be signed at the EU–US summit in June 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. Given that British Airways is a global 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 was 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 had tabled a proposal under the Luxembourg Presidency to change the opt-out clause available to member states within the directive, the UK had led a minority of governments that blocked its progress at the June Council. The operational programme for the year 2005 committed the Presidency to progress the issue further, but explicit discussion of the directive was noticeably absent from the agenda of the Employment, Social Policy, Health and Consumer Affairs Councils or the Competitiveness Council 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 be forced to 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. Thus one headline achievement for the UK Presidency occurred in this field: the opening of accession negotiations with Turkey on 3 October. There have been other, less noticeable achievements too. In terms of counter-terrorism, the agreement and implementation of the June 2005 Hague Programme 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 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 Presidency had hoped for an agreement on a harmonized counter-terrorism strategy to be reached ahead of the European Council on 15 December, but a large number of ministers had their mandate challenged by domestic legislatures. 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 predominant efforts of the UK Presidency were 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 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, on a directive. In spite of this, the Civil Liberties Committee of the European Parliament 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. Significant divisions remained open ahead of the European Parliament's vote on the issue at the plenary meeting scheduled for 14 December. The Council threatened to adopt a more far-reaching framework decision if the European Parliament failed to adopt the directive at the first reading and the Presidency put immense pressure on the EPP/DE and PES groupings in the three weeks preceding the vote.[4] The European Parliament eventually adopted the draft directive by 378 votes to 197, although the legal base upon which it was agreed may still be subject to challenge in the European Court of Justice.

In terms of the Presidency's objectives with regard to enlargement, the opening of negotiations with Turkey was indeed a notable achievement in the face of considerable obstacles. Public opposition to the Constitution in the Netherlands and France had been linked in part to fears that further enlargement would depress wages. In Germany, the Chancellor-in-waiting, Angela Merkel, espoused a 'privileged partnership' instead of full membership for Turkey.[5] The Austrian government threatened to veto any attempt to open accession negotiations in the General Affairs and External Relations Council (GAERC). 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, her CDU party was not represented at the GAERC 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 International Criminal Tribunal for the Former Yugoslavia (ICTY) over General Ante Gotovina, who had been indicted. This enabled the UK simultaneously to 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.[6] Fortunately the decision to open negotiations with Croatia does not appear to have undermined the EU's transformative power in the region. On 7 December Gotovina was detained in Tenerife. Stabilization and Association Agreements (SAA) were opened with Serbia and Montenegro, as well as with

Bosnia and Herzegovina (BiH). The refusal on 4 October to open an SAA with BiH until much-needed police reform had begun led to the Police Reform bill being forced through the parliament of Republica Srpska, the predominantly Serb entity in BiH, on 6 October, after two previous rejections.

In this respect it was 'mission accomplished' for the UK Presidency, but the manner in which the Presidency handled negotiations on Turkish accession had the potential to damage the relationship between the UK and its European partners. Negative reactions from a number of foreign ministries in the established member states suggest that a crisis could have been avoided had the UK laid the groundwork of consultation more thoroughly in the lead-up to the GAERC 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 the result of 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 member states criticized the methods used by the Presidency, they welcomed the resulting agreement to open accession negotiations.

Europe's role in the world

Europe's foreign policy 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) persevered with an offer to renew talks with the Iranian government, provided it accepted an offer to place its nuclear energy programme under Russian control. For its part, the EU agreed at the 16 December European Council on the need to keep the EU's diplomatic options under close review and to continue to calibrate its approach in the light of Iranian declarations and actions. The Presidency and the EU3 played an admirable part in forging a deal that was plausibly acceptable to the UN Security Council (plus Germany), if ultimately not to a defiant Iranian regime.

Elsewhere the EU's international involvement grew at a steady pace in the second half of 2005. In September, 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. 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. On 15 November the Council adopted a joint action that officially launched the EU Police Mission in the Palestinian territories (EUPOL–COPPS) on 1 January 2006. The EU's involvement in Iraq did not grow at as fast a pace as the UK Presidency might have liked. Negotiations on a Third Country Agreement to increase political and trade cooperation were not initiated during the UK's tenure. Neither was a Commission Delegation Office opened on Iraqi soil. Nonetheless, the EU Political Directors did initiate a dialogue with Baghdad on 24 October and by the beginning of December the Commission had circulated a draft Negotiating Mandate for the Third Country Agreement with Iraq. Progress towards the opening of a Commission Delegation Office was made at the GAERC on 7 November and a decision was taken to extend EUJUST LEX (the Rule of Law Mission for Baghdad). In terms of its representation of the EU at major summits with third countries, the UK was a model Presidency.

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. The June White Paper appeared to suggest that the UK wanted to ensure the EU would lead the discussion on climate change at the Montreal Climate Change conference from 28 November to 9 December. Yet the European approach to climate change appeared to undergo a transformation during the period in which the UK held the EU and G8 Presidencies. The second European Climate Change Programme, launched by the Commission on 24 October, gave much greater credence to technology-led solutions than its predecessor. 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 economic development of China and India.

As a result, the UK Presidency returned from Montreal with a better deal than might have been expected when it assumed the Presidency of the EU. The conference successfully agreed to establish a working group to determine emission targets for the period 2013–17, once the first Kyoto commitment period expires in 2012. This was an objective of the government's White Paper of 30 June. It remains to be seen whether the working group can be used to agree reduction pathways in the order of 15–30% for developed countries, as the Council had hoped, when it meets in May 2006. 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.

Sources within the FCO maintain that this outcome would not have been possible if the issue of climate change had not been kept at the top of the agenda during the UK's Presidency of both institutions, and if China and India had not been included within the discussions at the G8 summit. This move enabled the UK's EU Presidency to build upon an unheralded level of trust on climate change during its external summits with India and China. Subsequently it was capable of taking forward initiatives such as the Commission's plans for technology exchange with China on near-zero-emissions coal. Shifts in the positions of the world's two most significant emerging economies put undeniable pressure on the US administration. The Montreal conference had secured the issue of climate change a place on the international agenda. It was perhaps fortuitous that the Presidency of the G8 fell to a member of the EU, but the ability of the UK's EU Presidency to include the interests of external parties within the European perspective and forge a realistic approach to the issue was admirable. To argue that the Presidency put emphasis on *both* these aspects as part of some pre-ordained strategy[7] rather undermines the very real impetus that the UK's Presidency brought to the international debate.

On Third World poverty, there was something of a disconnect between the UK's G8 agenda and the policies pursued during its EU Presidency. In its June White Paper, it stated that it aimed to agree a new long-term strategy on EU–African relations at the December European Council. Unfortunately, the negotiations became embroiled in the wider debate over the future financing of the EU budget. 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, precisely so that it would not get caught up in the protracted dispute over the financial perspective for 2007–13. As it was, the budget negotiations dominated the run-up to the December Council and the complications they created for progress in this field became yet another stick with which to beat the Presidency while it remained silent with regard to budget proposals.

The EU did not present a deal that came anywhere close to meeting the Doha Development Agenda for the ministerial meeting of the World Trade Organization (WTO) in Hong Kong from 13 to 18 December. One major stumbling block was overcome with the conclusion of an agreement on reform of the EU's sugar regime at the Agriculture Council on 24 November. The deal that that the Presidency coaxed out of the major players cut the EU sugar price by 36 per cent over four years – unfortunately short of the 39 per cent reduction over two years originally envisaged in the June Council proposals. The ACP producers, those (African, Caribbean and Pacific) third-country producers which currently benefit from fixed pricing within the EU, have deplored the compensation they have been offered: a scheduled €60m in 2006. This deal does not match the Presidency's original objectives, but the ability to reach an agreement did 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 of agricultural reform. The EU did agree to eliminate export subsidies by 2013. To argue that Hong Kong represented a great shift in the debate would be wrong; to argue that it was a success would be considerable hyperbole. The UK Presidency, for its part, 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. Public statements by the French agriculture minister, Dominique Bussereau, maintained that Mandelson's offer to cut customs duties by 24.5 per cent on imported agricultural produce far exceeded his mandate. At the special meeting of the GAERC on 13–18 December in Hong Kong, it was emphasized that 'The Council expressed at the various stages of the negotiations its full support for the approach and line of action of the Commission.'[8]

Despite considerable efforts the Presidency was impotent to enhance the EU's prospects of being able offer anything that overcame the current obstacles to the conclusion of the Doha Round. On 26 October, the EU made an offer of a 70% reduction in agricultural subsidies and an average cut of 38.9% in agricultural tariffs. 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 British government would undoubtedly have liked to go further, but its inability to drive the debate forward sufficiently underlines the lack of power and inherent weakness of the rotating Presidency. Fundamentally, it demonstrates the absence of any institutional mechanism for settling major ideological questions at the European level or providing a mandate through which policy can be driven forward accordingly.

Future financing

The problems experienced by the UK Presidency were accentuated by the fact that discussions of agricultural reform led back to two things: the British abatement and the UK government's overt ideological commitment to a particular model of economic reform. This was most clearly demonstrated in the dispute over future financing of the EU budget in the financial perspective for 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. But other member states and the European Commission did not allow the issue to fall off the Presidency's agenda. The UK strategy appeared to have two clear strands. First, the Presidency 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 adopted the same delaying tactics it used to force an agreement on Turkey. It did not present detailed proposals on the budget to EU member state governments until 5 December, only ten days before the European Council meeting. The thrust of the proposals was an 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'.[9] This reduction was justified on the grounds that these states had 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 they were allowed to spend aid, as well as a 2009 review of spending, including on the CAP. A key point of the UK proposals was that they decoupled CAP reform from any alteration to the UK's rebate. This was 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 warmly received and the prospects of a deal on the budget were not auspicious. Commission President Barroso likened the approach to that of the Sheriff of Nottingham, robbing the poor to pay the rich.[10] There was 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 had agreed to a set of CAP reforms set for review in 2013, and the UK's persistence in maintaining the rebate at all other junctures 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 up to this point was that the UK had not actively advanced the case for a thorough review of all aspects of the EU's expenditure and financing over the last few years, but had instead maintained its position that the UK's EU budget rebate was non-negotiable.

Nevertheless, after fraught negotiations, the UK achieved agreement on a mid-term review of spending (for 2008) at the European Council on 15–16 December. In its role as President, the UK successfully secured a new budget that was announced on 17 December. The budget deal set total expenditure at 1.045% of the EU's Gross National Income (GNI) (€862.3 bn); it reduced expenditure by pairing a €10.5 bn reduction to the British rebate over seven years with a €16bn reduction of aid to Central and Eastern Europe.

Despite this success, the saga will run well into the Austrian Presidency with the potential for the deal to falter at the inter-institutional level. At a plenary on 19 January 2006, 541 MEPs voted to reject the deal, with only 56 in favour and 71 abstaining. MEPs were particularly concerned that the deal fell far short of the €974,837 bn requested by the European Parliament in June 2005, and that the European Parliament appeared to have been written out of the mid-term review of spending.[11] After prolonged negotiations on the Financial Perspectives, the Commission, Presidency and Council eventually reached an outline inter-institutional agreement (IIA) on 5 April 2006, formal adoption of which is expected before the end of May 2006. The Central and East European states were eager to guarantee an assistance package prior to the 1 January deadline and were given longer timeframes to 'absorb' aid. Nonetheless, the manner of the deal did little to stifle the rising tide of Euroscepticism in Central and Eastern Europe and a lot to enhance the tougher approach to Europe being taken by the governments in Warsaw and Prague. Even though the new German Chancellor reverted to the traditional role of paymaster and thereby softened the blow for Poland in particular, the budget deal did not pass through the lower house of the legislature until 24 January 2006, after weeks of horse-trading.

Two cheers for the British Presidency?

The UK's Presidency of the EU was not a disaster. There was 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 credit for progress in these areas but the outcome is not necessarily of its own making.

A key success was 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 Presidency secured a budget deal, and by conceding €8 bn (over seven years) of the British rebate, secured a mid-term review of spending. The outcome of the budget negotiations was far from satisfactory for all parties concerned but this may be the best deal that a UK government is in a position to offer without huge domestic political repercussions. If the negotiations had been allowed to rumble on into the Austrian Presidency, Europe would have been faced with a British government no longer occupying the Presidency (and by virtue of that position keen to reach a deal) and preparing for local government elections in May 2006 against a renewed opposition in the form of the Conservative Party under David Cameron. The UK would consequently have relapsed into a much less flexible negotiating position.

There was also disappointing progress on the Doha Round of WTO negotiations. Perhaps if the Presidency had not had to expend so much energy on the budget issue it might have been able to devote extra political energy to strengthening the European commitment to these negotiations.

The UK Presidency achieved a large part of what it planned to achieve. 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 UK government stems from its preference for brinkmanship (over consultation) on the EU budget during its term of office. But that a deal was brokered at all during the European Council in December is a significant achievement to the Presidency's credit.

Endnotes

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

[2] *Financial Times*, 28 October 2005.

[3] Quoted in: 'UK EU Presidency: It isn't all over', BBC News Website, 26 October 2006. *http://news.bbc.co.uk/1/hi/world/europe/4377846.stm.*

[4] The threat was made in a letter dated 28 October 2005 – *http://www.euractiv.com/Article?tcmuri=tcm:29-147671-16&type=PolicyNews.*

[5] *Financial Times*, 3 June 2005.

[6] *The Guardian*, 30 November 2005.

[7] See the Prime Minister's rather opaque article in the *Independent* in advance of the Montreal conference: *http://comment.independent.co.uk/commentators/article327944.ece.*

[8] *http://ue.eu.int/ueDocs/cms_Data/docs/pressData/en/gena/87672.pdf.*

[9] *Financial Times*, 5 December 2005.

[10] *Financial Times,* 1 December 2005.

[11] *http://www.isn.ethz.ch/news/sw/details.cfm?id=14451.*

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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 partially achieved its objectives.
RED: Presidency failed to realize its objectives.

Abbreviations:

ACP	African, Caribbean and Pacific
APEC	Asia Pacific Economic Cooperation
BiH	Bosnia and Herzegovina
EP	European Parliament
ESDP	European Security and Defence Policy
GAERC	General Affairs and External Relations Council
IAEA	International Atomic Energy Agency
ICTY	International Criminal Tribunal for the Former Yugoslavia
IGC	Intergovernmental Conference
JHA	Justice and Home Affairs
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 (GNI). 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.	After fraught negotiations at the European Council on 15-16 December, a new budget was announced on 17 December. The budget deal set total expenditure at 1.045% of the EU's GNI (€862.3 bn). The deal reduced expenditure by pairing a €10.5 bn reduction to the British rebate over seven years with a €16bn reduction of aid to Eastern Europe. The Presidency secured a mid-term review of spending in 2008. The East European states were eager to guarantee an assistance package prior to the 1 January deadline and will be given longer timeframes to 'absorb' aid .
	The Commission invited the UK Presidency to complete discussions initiated under the Luxembourg Presidency.	On 20 October, Commission 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'. The UK was criticized for failing to use the informal summit at Hampton Court to tackle the issue; the Presidency postponed 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 included an €8 bn reduction to the British rebate coupled with 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**
Economic Reform 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.	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 pieces of legislation 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, Alejando 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 was 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.	The EP did not complete its first reading during the UK Presidency. The first reading in full plenary session took place on 16 February 2006.

Economic Reform & Social Justice			
Heading	**Objective**	**Summary**	**Status**
Economic Reform The UK Presidency was determined to help the Commission move towards 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.	Financial Services Action Plan	In May 2005, the Commission published the Green Paper on Financial Services Policy, which outlined the agenda for EU financial sector reform in 2005-10. The UK Presidency fully supported the approach outlined. On 11 November 2005 the ECOFIN Council adopted the Commission's Green Paper on Financial Services Policy 2005-10.	Green Paper adopted. The Commission's White Paper was issued on 5 December 2005 and differed little from the original Green Paper.
	The Chemicals Regulation (REACH) Synthesizing chemical regulation into one legal structure.	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. 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).	The 25 member states reached agreement on REACH at a Special Meeting of the Competitiveness Council on 13 December 2005. This paved the way for a joint agreement to be reached between the Council and EP in 2006.
	The EU–US relationship	The Presidency did a considerable amount of work in October to re-establish formal negotiations with US trade representatives on the 'open skies' deal. 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.	Full political backing is not anticipated until a definitive version of the US proposal on foreign ownership and control of US airlines. This is not expected in time for an open-skies agreement to be signed at the EU–US Summit in June 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 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. The directive was approved by JHA ministers on 2 December. The Civil Liberties Committee in the EP agreed to a different version of the proposal, voting to limit retention to only 12 months. Divisions remained with the Parliament ahead of its vote on the issue at the plenary session on 12–15 December. The Presidency put immense pressure on the two major groupings in the EP in the three weeks preceding the vote; the Council had already threatened to adopt an even more far-reaching framework decision if the EP failed to adopt the directive in the first reading.[2]	The EP adopted the draft directive on data retention at a Plenary Session on 14 December by 378 votes to 197. Support was provided mainly by EPP/DE and PES MEPs.
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 GAERC. 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. When Gotovina was detained in Tenerife on 7 December, a significant hurdle to Croatia's accession was 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 the 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 accession suggest that 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.

[2] The threat was made in a letter dated 28 October 2005 - *http://www.euractiv.com/Article?tcmuri=tcm:29-147671-16&type=PolicyNews.*

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'.[3]	On 10 October 2005, the US offered a 60% cut in 'amber box' [domestic] support to its farmers to kick-start 'stalled negotiations'.[4] This was 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 GAERC 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 on 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 had already been driven downwards.	The Hong Kong summit did not discredit the Doha round of talks completely, but little progress was made. The EU did agree to end farm export subsidies by 2013. In the words of Peter Mandelson himself, this was 'not enough to make the meeting a true success'. Negotiations continue and the mid-2007 expiry date for the US Trade Promotion Authority looms ever closer.
Africa	Increased coherence to European policy.	At the EP's plenary session on 20 October, Commissioner Louis Michel outlined an EU strategy to be adopted by the 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 remained opposed to the integration of the European Development Fund within the main community budget. 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.
Climate Change	The March 2005 European Council underlined the EU's willingness to lead discussions on the follow-up to the Kyoto commitments, which end in 2012.	On 24 October, 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 (28 November–9 December) 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.	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

[3] *Prospects for the EU in 2005*: *The UK Presidency of the European Union,* CM6611, HMSO, June 2005. para. 103. p. 27.
[4] *Bulletin Quotidien Europe*, No. 9045, 11 October 2005, p. 7.
[5] *http://news.bbc.co.uk/2/hi/business/4539108.stm*. Mandelson continued: 'but it was enough to save it from failure'.
[6] *Prospects for the EU in 2005*, p. 20.

Heading	Objective	Summary	Status
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 Ahmedinejad suggested that Israel should be wiped off the face of the earth. On 7 November, the GAERC conclusions urged Tehran to implement all measures requested by the 24 September IAEA Board of Governors. Iran rejected the invitation of the GAERC 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.[7]	Growth in support for this solution was 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.[8] The role of the EU3 in reinvigorating negotiations should not be underestimated. Nevertheless, success will depend as much on domestic politics in Iran as on the internal politics of the UN Security Council.
	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 explicit objectives were achieved. Nonetheless, the EU Political Directors Troika visited Baghdad on 24–26 October to initiate a formal dialogue. The conclusions of the 7 November GAERC 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 have been achieved, but the EU's relationship with Iraq has moved forward. On 13 December, the Commission proposed that negotiations on a Trade and Cooperation agreement with Iraq should begin in 2006.
	Middle East Peace Process: support disengagement from Gaza as laid out in the London Meeting of March 2005, and those efforts undertaken by Special Envoy James Wolfensohn and US Security Coordinator Lt. Gen. William Ward, to ensure that Gaza is both secure and economically viable post-withdrawal.[9]	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. On 7 November, the EU Council of Foreign Ministers formally adopted a joint action describing the aims and mandate of a three-year mission.[10] 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 the EU police mission in the Palestinian territories (EUPOL-COPPS) as of 1 January 2006. On 25 November, the ESDP mission at Rafah border crossing was launched. The record speed with which the tenth ESDP mission was planned represented a considerable achievement.	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 GAERC and will be subject to further discussion in the future.[11]

[7] *Bulletin Quotidien Europe,* 11 November 2005.
[8] *Financial Times*, 4 October 2005.
[9] *Prospects for the EU in 2005*, p. 26.
[10] *Bulletin Quotidien Europe*, No. 9057, 27 October 2005, p. 8.
[11] *http://www.fco.gov.uk/Files/kfile/GAERC_Conclusions_ExternalRelations_7Nov.pdf.*

Heading	Objective	Summary	Status
Defence Capability	The member states should finalize the requirements catalogue. The EU seeks to further develop rapid-response Battle Groups initiative.	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 Battle Groups 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.	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.
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'.[12] 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 on 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 deplored 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, though the Presidency's assessment of Ukraine as a market economy may prove hasty.

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