

# The EU 2002

The EU 2002 Yearbook  
– Concise version



# Index

<b>Cooperation Benefits Both Sweden and Europe</b>	<b>8</b>
<b>EU Institutions</b>	<b>9</b>
The EU Budget	10
Reforms to EU Work	10
Swedes in the EU	11
The Swedish Language	11
<b>The Sveriges Riksdag</b>	<b>12</b>
<b>Enlargement</b>	<b>12</b>
Membership Negotiations	12
Budget Solutions	13
Time to Adjust	14
Roadmap	14
Turkey	14
Sweden's Priorities	15
<b>The Future</b>	<b>15</b>
The Convention	15
The Lisbon Strategy	16
<b>Economic and Monetary Union</b>	<b>17</b>
The Annual Guidelines	17
The Stability and Growth Pact	18
Sweden and the Euro	18
<b>Taxation</b>	<b>19</b>
Energy Taxation	19
Motor Vehicle Taxation	19
VAT on E-Commerce	19
<b>The Internal Market</b>	<b>20</b>
Simplifications	20
Public Procurement	20
Financial Services	20
Financial Conglomerates	21
Institutions for Occupational Retirement Provision	21

Insurance Intermediaries	21
Accounting	21
Information for Investors	21
Insider Trading	22
Housing	22
Pharmaceuticals	22
Animal Testing	22
Third Generation Mobile Communications and Digital TV	23
DOT EU	23
The EU Patent	23
Industrial Design	24
<b>Industrial Policy</b>	<b>24</b>
Biotechnology Programmes	24
Expiration of the Coal and Steel Treaty	24
<b>Competition</b>	<b>25</b>
Mergers and Acquisitions	25
Motor Vehicle Distribution	25
State Aid	26
State Aid for Shipbuilding	26
<b>Transport Policy</b>	<b>26</b>
Less Freight on the Roads	26
More Railway Traffic	27
Safety Belts	27
Commercial Drivers	27
Bus Length	27
Recording Equipment in Road Transport	27
Motor Insurance	27
Aviation	28
Safety at Sea	28
Deregulation of Seaport Services	29
Satellite Navigation	29
<b>Research</b>	<b>29</b>
Stem Cells	29
Mobility of Researchers	30
Increased Funding	30

<b>Labour Market</b>	<b>30</b>
Guidelines	30
Sweden's Measures	31
Corporate Responsibility	31
Employee Influence	31
Temporary Employment Agencies	31
Travelling Doctors	31
Day Care Availability	32
<b>Regional Policies</b>	<b>32</b>
Agriculture and Fisheries	32
Mad Cow Disease	33
Tighter Hormone Ban	33
Prohibition of Antibiotics	33
Animal Transport	34
Food-Borne Diseases	34
Movement of Pets	34
Dog Fur	34
Cadmium	34
Plant Health	34
Fisheries Policy	35
Foodstuffs	35
Food Hygiene	35
Wine Surplus	35
Organic Produce Promotion	35
Allergy Warning	36
<b>The Environment</b>	<b>36</b>
World Summit on the Environment	36
Ten-Year Action Plan	37
Climate	37
Recycling	37
Forestry Policy	37
Genetically Modified Organisms	38
Sweden's Derogations on the Environment	38
Water Policy	38
Bathing Water	38
Exhaust Fumes	39
Nuclear Safety	39
The Right to Know	39

<b>Education</b>	<b>39</b>
Postgraduate Education	40
<b>Youth Policy</b>	<b>40</b>
<b>Social Issues</b>	<b>41</b>
Pensions	41
Social Exclusion	41
Health Care and Care for the Elderly	41
The Social Safety Net	41
Gender Equality	42
Discrimination	42
Public Health	42
Blood Safety	42
Human Tissues and Cells	42
Reducing Smoking	43
Tobacco and Alcohol Imports	43
Narcotics	43
<b>Consumer Policy</b>	<b>44</b>
Telephone Sales	44
Dispute Settlement	44
Higher Prices	44
<b>Culture</b>	<b>45</b>
TV and Film	45
<b>Judicial and Police Cooperation</b>	<b>45</b>
Free Movement of Judgments	46
Legal Aid in Another Member State	46
Judgments in Decrees in Custody Disputes	46
Damages	46
Victims of Crime	47
Preventing Profiting from Crime	47
Foreign Fines	47
Professional Disqualification	47
Cooperation Among Prosecutors	47
Criminal Investigations	48
European Arrest Warrant	48
Terrorism	48
Drugs	48

Child Pornography	49
Trafficking in Human Beings	49
Environmental Crimes	49
Corruption	49
Cyber Crime	49
Police Cooperation	50
Expansion of the Schengen Cooperation	50
European Border Control	51
<b>Asylum and Immigration</b>	<b>51</b>
Reception of Asylum Seekers	51
Others in Need of Protection	52
Illegal Immigration	52
<b>External Relations</b>	<b>52</b>
Crisis Management	52
Conflict Prevention	53
Human Rights	53
Terrorism	53
Arms Exports	54
Travel Advisories	54
The Northern Dimension	54
The Western Balkans	55
The Federal Republic of Yugoslavia	55
Kosovo/FYR	55
The Former Yugoslav Republic of Macedonia	55
New Neighbours	55
Russia	56
Central Asia	56
The Middle East	56
Zimbabwe	56
Asia <sup>57</sup>	
North and South Korea	57
United States	57
Latin America	58
Trade Policy	58
New Agreements	58
Developing Countries' Ombudsman	58
Development Assistance	59
Catastrophe Assistance	59

# Cooperation Benefits Both Sweden and Europe

In 2002 the EU took a big stride forward with the successful conclusion of the enlargement negotiations with the ten candidate countries. These countries can now become members on May 1, 2004. There is a roadmap for two other countries, Romania and Bulgaria, which will make it possible for them to become members in 2007.

A thirteenth country, Turkey, has applied for membership and may be allowed to begin negotiations after 2004 if at that time, it complies with the political criteria set by the EU.

Preparations for the Intergovernmental Conference to negotiate a new EU treaty have also progressed well. The Convention on the Future of Europe, chaired by Valéry Giscard d'Estaing, has discussed many ideas on how Europe should function in the future and it presented a Draft Treaty in the fall.

At the Seville Summit, the Heads of State or Government agreed on implementing reforms to the proceedings of the Council that make its legislative work more transparent and more efficient.

The Council will also discuss the issue of working languages and the rotating presidency (six months at a time).

The Stability and Growth Pact has been a subject of discussion in 2002 and in December the Commission presented a proposal to improve its implementation.

The employment strategy has been in existence for five years. A review of the strategy led to the decision to synchronise the presentation of the economic policy guidelines and the employment policy guidelines. This means that the spring summit will play a key role in EU economic policy, as intended.

The Government of Sweden has decided to hold a referendum on the introduction of the euro in Sweden on September 14, 2003.

The fight against terrorism has been high on the EU agenda. Two important decisions in this respect were the European Arrest Warrant and a Framework Decision on combating terrorism.

The EU stood prepared on January 1, 2003 to inaugurate its first civil crisis management operation. At that time the European Union Police Mission assumed responsibility from a United Nations led programme to strengthen police services in Bosnia-Herzegovina.

In December 2002 the EU and NATO reached agreement on cooperation that could help pave the way for the EU to take over NATO's military presence in the former Yugoslav Republic of Macedonia.

Several important decisions have been taken on asylum and immigration policy that together will create a common European asylum system by 2004. The latter will include terms of admission for asylum seekers, a regulation pursuant to the Dublin Convention and a program to combat illegal immigration.

With respect to the environment, it was especially gratifying that the European Council decided in Seville to include the goal of sustainable development in the ten-year Lisbon strategy. Sustainable development was also the main subject of the world summit meeting in Johannesburg, which established several very important intermediate objectives for the war on poverty.

## EU Institutions

**The European Council** is composed of the Heads of State or Government. They hold summit meetings at least twice a year and draw up political guidelines for EU work.

**The Council of the European Union** or the Ministerial Council takes decisions and legislates in the EU. It is composed of ministers from the Member States. The matters under discussion decide which ministers attend the Council meeting. The Presidency of the Council rotates every six months among the 15 Member States. Spain held the Presidency from January to June 2002. From July to December 2002, Denmark held the presidency.

**The European Commission** has the sole right to propose legislation. It also sees to it that approved regulations are followed and applied correctly.

The Commission, whose members are appointed for five years, is at present composed of twenty commissioners, one commissioner from each member country and an additional commissioner from each of the five largest Member States. When the term of the existing commission expires in November 2004, the number of representatives will change with enlargement.

In 2002 the Commission had 21,700 employees.

Members of the Commission are each responsible for a policy area. The Swedish Commissioner, Margot Wallström, is responsible for environmental issues.



**The European Parliament** is the only directly elected EU institution. Recent treaties have gradually given it increased influence over the legislative process. It is now a co-legislator with the Council in many areas and has the right to veto the budget.

Today the Parliament has 632 members, among them 22 Swedish members. However, after the enlargement there will be 732 members, 18 of whom will be from Sweden. The next election to the European Parliament is to be held in June 2004.

**The Court of Justice of the European Communities** (The Court of Justice) interprets and rules on disputes about how European Community law is to be construed. Member States must follow the Court's decision.

Most cases involve preliminary rulings. In other words, the Court, after being referred a question from a national court, issues instructions on the proper interpretation. The national court then passes judgement in the case in question.

Attached to the Court of Justice is the Court of First Instance, which decides disputes in such areas as competition, transparency and staff regulations.

**The European Court of Auditors** scrutinises how funds in the Community budget are spent and reported. The Court issues an annual report and several special reports.

Sweden's member of the Court in 2002 was Lars Tobisson.

## The EU Budget

The EU budget for 2002 came to about €98.6 billion or about SEK 903 billion. This is an increase of just under 2 per cent compared with the previous year.

The agricultural policy accounted for 46 per cent of the budget. Structural support in the form of regional subsidies and labour market support represented about one third.

Of the remaining funds, about 5 per cent goes to research, environmental measures, cultural support and infrastructure investment, which form part of the so-called internal policies. Another 5 per cent goes to aid, humanitarian assistance and external policy measures. Administration also accounts for about 5 per cent of expenditures.

Sweden's net contribution for 2001 was SEK 11.279 billion. Sweden got about SEK 9.898 billion back in the form of various EU grants.

## Reforms to EU Work

At the meeting of the Seville European Council, the Heads of State or Government decided to reduce the number of ministerial councils from sixteen to nine. From now on, the General Affairs Council, the forum for the foreign ministers' meetings, will consist of two parts: one for general matters and one for external relations.

In the new rules of procedure, cooperation is being strengthened between the successive presidencies and a three-year strategic work programme is being drawn up.

The legislative programme of the Council of Ministers has been made more transparent by opening to the public the introductory and concluding debates on important issues decided under the co-decision procedure (with the European Parliament).

An important feature of the Commission's work programme for 2002 is new governance procedures. In March 2002 Sweden submitted to the Commission the result of a broad round of consultations on the subject. The aim of making the EU more transparent and enabling more participation by its citizens was welcomed at the same time that concrete proposals were being sought.

During the summer the Commission presented an action plan for improving the legislative process in the EU. Sweden welcomes this step and has emphasised the importance of phrasing laws so that interested citizens are able to read and understand them.

There is currently a proposal for improving the Commission's staff policy. It is the Government's view that this should lead to a more efficient administration, lower EU budget expenditures and the strengthening of freedom of expression for civil servants.

The European Parliament has continued to discuss wages, taxes and other conditions without reaching an agreement. A proposal for a statute on European political parties and European financial support for political parties is also under discussion.

## Swedes in the EU

About 1000 Swedes work in EU institutions as permanent employees, under temporary appointments or as national experts. This is slightly more than in the previous year. About a quarter of them work as interpreters or translators.

Slightly more than 60 per cent of the Swedes are women. Women in management positions make up about 35 per cent.

Swedes are clearly underrepresented at the management

level. There are no Swedish directors-general or directors in the European Parliament. However, as of this year Sweden has a director-general's post in the Commission (fisheries) and a few directors' positions.

At the administrative level, Sweden is well represented in the Commission and the Council Secretariat, but underrepresented in the Parliament. There is a risk that Swedes' chances of obtaining EU employment will diminish when enlargement shifts the focus of new recruitment to citizens from the new countries.

During the year a Swedish network for those working in Brussels institutions was founded. Swedes who have passed the EU selection test can get counselling and training.

## The Swedish Language

The Heads of State or Government meeting in Seville gave the Council of Ministers the task of studying the matter of language after the enlargement. The EU currently has 15 countries and 11 official languages and is trying to provide interpretation at all meetings in as many languages as possible. For legal reasons, documents have to be translated into all languages.

It is the Government's aim that both the EU and the authorities in Sweden will work together to provide guidance on modern Swedish usage in order to improve the quality of EU texts. Contacts on EU language questions have now been appointed in various authorities and a website opened at the turn of the year with the address: <http://justitie.regeringen.se/eu-sprak/>.

## The Sveriges Riksdag

The Riksdag Act requires the Government to report its activities in the European Union. The Government does so both in written reports (see the Riksdag's home page) and in oral information.

The Riksdag's Committee on EU Affairs has been kept informed on an ongoing basis and the Government has consulted the Committee on Sweden's position on matters that the Government has considered important or the Committee has raised.

# Enlargement

The membership negotiations with the ten candidate countries were concluded at the EU's summit in Copenhagen on December 12 and 13, 2002. Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia were invited to join on May 1, 2004. This was a great success, crowning many years' preparatory work and negotiations.

## Membership Negotiations

The terms of accession to the Union were established in Copenhagen in 1993, the so-called Copenhagen criteria. They established that a functioning democracy, a market economy, respect for the rule of law and human rights, the necessary administrative capacity and a functioning market economy are the basic requirements for entry into the EU.

In 1998 membership negotiations began with six countries – Cyprus, the Czech Republic, Estonia, Hungary, Poland, and Slovenia. In 2000, negotiations began with six more – Bulgaria, Latvia, Lithuania, Malta, Romania and Slovakia. In 1999 Turkey was accorded candidate country status.

For its part, the EU for the first time gave the candidate countries a date for concluding the negotiations when the European Council meeting in Gothenburg in June 2001 declared that negotiations should be completed in 2002 with the candidate countries that were prepared. The date became clearer when the European Council one year later said that ten countries would probably be able to finish by this date and join the EU in 2004.

In October 2002 the Commission issued progress reports on the 13 candidate countries. Ten were considered far enough advanced to begin final negotiations.

In December 2002 the European Council approved the Treaty of Nice, which specifies the institutional playing rules after enlargement. This treaty came into force in February 2003.

The Treaty of Nice states how the votes in an EU of 25 to 27 Member States will be distributed and what the threshold for a qualified majority is to be. The Treaty also allocates Member States places in the European Parliament, the European Commission, the Court of Justice of the European Communities and the European Court of Auditors.

## Budget Solutions

At the European Council's meeting in Copenhagen in December 2002, negotiations were concluded on the last chapter, which included budget matters. The agreement means that about €40 billion (slightly more than SEK 360 billion) of the EU budget in 2004 through 2006 will go to the new countries in the form of agricultural subsidies, Structural Fund contributions and budget compensation.

Direct support for agriculture in the new countries the first year will be 25 per cent of the amount granted to farmers in the current EU countries. Subsequently the amount will gradually be raised so that by 2013 it will be at the same level granted the rest of the EU. The new countries will have the right to supplement this amount with national subsidies.

The new countries will get the same level of support from the Structural Funds as the rest of the EU, but with a ceiling. The total amount received is not to exceed 4 per cent of a country's GDP.

The Heads of State or Government also decided that during the first three years of membership, no country should lose from joining the EU by having less money in its state budget than it had in 2003. Such a loss could occur as payment of the annual membership contribution to the EU budget can take place before the EU begins disbursing various forms of support. Budget compensation is thus included in the final agreement.

## Time to Adjust

The chapters on environmental policy, agriculture and tax policy are the source of most exemptions for the new countries. With respect to environmental policy issues, EU requirements for waste management, water quality and air emissions treatment have led to transition periods of up to ten years for several countries. Lithuania and Slovakia have undertaken to close nuclear reactors that are considered unsafe.

The EU requirements for keeping livestock and for hygiene in food production have resulted in transition periods of several years in most new countries. Certain food-stuffs may only be sold domestically during that time.

Several countries have been allowed transition periods for the introduction of VAT or excise taxes and the opportunity to restrict the right of EU citizens to purchase real estate or land in the new countries.

It is possible for current EU members to limit the right to the free movement of workers who are citizens of the

incoming countries for two to seven years. In 2002 a government report on Sweden's options was circulated for comment by the parties concerned.

Under the Schengen Agreement, EU countries have removed their frontier controls vis-à-vis one another, but controls with the new countries will remain for the time being.

## Roadmap

The Copenhagen European Council decided that Bulgaria and Romania would be accepted as EU members in 2007 if they meet the criteria for membership. The EU is increasing its financial support to these countries to support their efforts to this end.

Bulgaria has provisionally closed 23 of the 31 chapters in the negotiations and Romania has closed 16 chapters.

## Turkey

The Commission's progress report on Turkey acknowledges that the country has made progress in meeting the political criteria necessary to be allowed to begin membership negotiations, but the progress is still not considered adequate. There are many deficiencies with respect to democracy and human rights. The European Council therefore wants to enhance the EU's political dialogue with Turkey and has decided to increase financial support for its pre-accession preparations.

If the European Council, when it meets in December 2004, is of the opinion – based on a report and a recommendation by the Commission – that Turkey meets the EU's political criteria, membership negotiations will be introduced promptly.

## Sweden's Priorities

The enlargement has been Sweden's top priority. Sweden has worked to see that the timetable remains on track and the principles for the negotiations give all candidate countries the best possible chance of achieving membership.

## The Future

In December 2000, when the Nice European Council approved a new EU treaty, the Heads of State or Government also decided to hold a new Intergovernmental Conference no later than 2004 on the future structure and role of EU institutions. Underlying the need to proceed is the

question of how the EU will be able to function efficiently and effectively with almost twice as many Member States, as well as the issue of how the EU could better reach out to its citizens and be understood by them.

Four questions were raised:

- How can there be a clearer division of the competences of the EU and the Member States?
- What status will the EU Charter on Fundamental Rights have?
- How can EU treaties be simplified to make them clearer and easier to understand?
- What role will national parliaments play in the future EU?

The Heads of State or Government hope that a broad public debate on the issues surrounding the future of the EU will take place before the next Intergovernmental Conference on a new treaty. A new Committee – the “EU 2004 Committee” – has been given responsibility for conducting a debate on the subject in Sweden.

## The Convention

One year later, in 2001, the Laeken European Council decided to hold a convention with the task of discussing the future of the EU.

The Convention included one representative from each government in the EU, two from the national parliament in each EU country, representatives from EU institutions and a great number of observers from various sectors of society. The Convention planned to present a draft of a new EU treaty in June 2003.

The Convention met for the first time on February 28, 2002. The route taken has been to develop an idea inventory in the spring of 2002, have working groups conduct in-depth analyses of special themes in the fall of 2002 and begin a decision-making phase in the spring of 2003.

At the plenary meeting in June 2002, the Convention heard representatives from the civil society. A youth convention with 210 young representatives was held in July 2002.

During the fall and winter many proposals on EU reforms have been presented by governments or individual participants. The EU Commission has submitted its proposal for a complete reform of the treaty.

In October the Convention presented a three-part plan for the new treaty: the first part outlines the principles on which the Union is founded and its proposed organisation.

The second part is the legal basis for policy matters (the equivalent of the current treaty's policy sections). The third part consists of general provisions and final provisions.

The Government will strive to see that there is sufficient time for a debate between the conclusion of the Convention in the summer of 2003 and the beginning of the Intergovernmental Conference and for getting the Riksdag's support for Sweden's position.

The representative of the Swedish Government at the Convention is Lena Hjelm-Wallén and the alternate is Sven-Olof Petersson. The participants from the Riksdag are Sören Lekberg (Social Democrat) and Göran Lennmarker (Moderate), with alternates Kenneth Kvist (Left) and Ingvar Svensson (Christian Democrat).

## The Lisbon Strategy

As part of the Lisbon strategy, further elaboration of the internal market is now underway. The Lisbon European Council approved this strategy in 2000. Its goal is to make the EU the world's most competitive and dynamic knowledge-based economy with sustainable development and an intact social welfare system.

The EU has decided to identify a number of reforms and decisions that need to be taken to achieve this goal, just as it did when the internal market was to be established.

In March 2002 the second review of the Lisbon strategy took place at the EU's spring summit in Barcelona.

There Heads of State or Government decided to extend the Lisbon strategy to include the strategy for sustainable development agreed at the Gothenburg European Council in June 2001. Thus the Lisbon strategy covers the important aspects of sustainable development; that is, in addition to economic reforms and employment issues, it also covers the environment and social development.

In the social area, the Barcelona European Council, at Sweden's initiative, decided to include the target of being able to offer child-care to 90 per cent of all children who are over the age of three but have not reached school age, as well as 33 per cent of all children under three years of age. The goal is to make it possible for more women to work.

In addition the Commission was invited to present an action plan for environmentally friendly technology. By 2010 the Union will have made considerable progress in energy efficiency.

At the end of the year the EU Commission pointed out that Member States have to speed up the Lisbon process as a number of measures that should have been decided under the strategy by the end of 2002 had not yet been adopted.



# Economic and Monetary Union

The euro, in the form of banknotes and coins, was introduced in 12 EU Member States on January 1, 2002: Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxemburg, the Netherlands, Portugal and Spain. These 12 countries now have a common currency and a common central bank, the European Central Bank (ECB).

Three EU countries still have their national currency: Sweden, Great Britain and Denmark.

## The Annual Guidelines

All 15 Member States are a part of Economic and Monetary Union (EMU). A cornerstone of EMU is the coordination of countries' economic policy. This coordination is accomplished by means of annual economic policy guidelines. The EU Commission draws up the guidelines, which are then discussed at several levels and ultimately approved by the finance ministers.

The guidelines cover macroeconomic, employment and structural policy. They include both a general section with broad recommendations that apply to all members and a specific section for each member country.

The guidelines approved by the European Council in June 2002 identify the following main aims:

- Safeguarding a strong macroeconomic policy framework to support sound public finances;
- Promoting more and better jobs, raising the employment rate and addressing persistent unemployment;
- Strengthening conditions for high productivity growth;
- Promoting sustainable development.

The guidelines that concern Sweden include recommendations that Sweden continue to reduce taxes for low and middle income earners and try to increase the incentive to work by changes to the tax and welfare systems as well as improve competition, both in public services at the local level and in the retailing of drugs and foodstuffs.

## The Stability and Growth Pact

The aim of the Stability and Growth Pact is to safeguard sound public finances in EMU. Under the Pact, Member

States have agreed to achieve public finances that are close to balance or in surplus in the medium term.

The countries that have adopted the euro are to draw up an annual stability programme describing developments in the short and medium term. Each country outside the euro zone prepares a convergence programme, which is much like a stability programme.

At the beginning of 2002, the EU Commission proposed that Germany and Portugal be given an early warning, as both countries appeared to be heading for an excessive budget deficit. In October 2002 the Economic and Financial Affairs Council (ECOFIN) found that Portugal's deficit in 2001 was excessive and made the recommendation that it bring down the deficit before the end of the year. Portugal managed to correct this situation.

In its fall forecast, the EU Commission was of the opinion that Germany would have an excessive deficit in 2002 and France would be near the limit in 2002 and have a worse result in 2003. The Commission therefore initiated the excessive deficit procedure and proposed that the ECOFIN Council declare Germany's budget deficit to be excessive and issue an early warning to France. Both these matters will be decided at the Council meeting to be held at the beginning of 2003.

Sweden's third convergence programme was considered by the Council in February 2002 and received high marks. Sweden's fourth convergence program was submitted in November 2002.

## Sweden and the Euro

The Government Offices have conducted many information activities to draw attention to and help all those in Sweden affected when 12 EU countries made the transition to the euro at the beginning of the year.

The Swedish Agency for Public Management has led work among 12 public authorities to analyse the practical preparations that may be needed in Sweden should the euro be introduced here too. These authorities presented progress reports and a contingency plan in October 2002.

The Swedish electorate is to vote on introducing the euro in Sweden. Talks by the political parties in late fall led to September 14, 2003 being set as the date for the referendum.

# Taxation

Since 1997 the EU countries have discussed taking measures against unfair tax competition and tax flight between countries. The tax package that has been discussed has three parts: a directive on taxes on savings, a directive on the taxation of interest and royalty payments between associated companies, and a code of conduct on business taxation. The intention was to decide a tax package before the end of 2002.

Different views, above all on taxes on savings, caused the decision to be postponed to future meetings.

## Energy Taxation

During the year ECOFIN has worked intensively to reach an agreement on a directive on the taxation of energy. Political agreement has been reached on many parts such as the regulations to promote the use of biofuels by tax relief measures. However, certain political questions could not be resolved before the end of the year.

In 2002 the Commission proposed a directive on taxing diesel fuel and narrowing the difference in the taxation of diesel and petrol. According to the proposal, Member States would, for environmental reasons, be able to raise the tax on diesel in private use but not in commercial vehicles in order to avoid distorting competition among hauliers.

## Motor Vehicle Taxation

The Commission would like the registration tax on automobiles to be reduced gradually and abolished in the long term. The Commission is of the view that for environmental reasons, this tax, as well as the vehicle tax, should be changed to a carbon dioxide tax. The Commission has promised to present a directive to this end.

## VAT on E-Commerce

The chief principle of the new regulations is that in the next three years, a service that is delivered electronically in the EU will be taxed in the EU if the service is consumed in the EU. After that time finance ministers plan to decide a new regulation, if by then new technology in the area has changed the situation. In May the finance ministers approved the directive on the VAT on electronic commerce and radio and television transmissions, which is to become effective July 1, 2003.

## The Internal Market

The internal market celebrated its tenth anniversary on January 1, 2003. However, the work to implement the internal market is not complete. The market for services is one area where much remains to be done.

In an evaluation of the benefits of the internal market over these ten years, the Commission estimates that over 2.5 billion new jobs have been created. An additional €164.5 billion of growth, equivalent to 1.8 per cent of GDP, has been created and each citizen of the EU is said to have received an extra €5,700 in his or her wallet.

When questioned, 80 per cent of consumers in Europe respond that they believe that the range of available goods has increased with the common market and 70 per cent believe that the quality of goods is higher now. Only 41 per cent think that prices have fallen.

Twice a year, the Commission makes public a single market scoreboard on how well the Member States are implementing the regulations for the internal market that have been approved. In the most recent scoreboard, it appeared that 97.6 per cent of all approved directives had been implemented correctly and on time. Sweden leads, with 99.6 per cent correctly implemented.

A new organisational feature in the work is that questions concerning the internal market, industry and research are now handled by the same ministerial council, the Competition Council.

## Simplifications

Improving and simplifying regulations are high-profile issues on Sweden's agenda. In June 2002 the Commission approved a package of measures in several parts that will lead to better EU regulations.

The database SOLVIT was started in July 2002 to help companies and private persons solve any barriers to trade that they encounter. In Sweden the National Board of Trade (Kommerskollegium) is the contact for the network, which, tries to solve problems expeditiously with the help of contacts.

## Public Procurement

The Council has agreed on two directives that will modernise the regulations for public procurement. These directives include provisions that make clearer the right of public procurement authorities to set environmental and social criteria.

## Financial Services

The financial sector in EU countries is still largely national. At the end of the 1990s, the Commission therefore presented two action plans with a number of measures to remedy the situation. The European Council subsequently decided that an integrated securities market would be implemented no later than 2003 and an integrated financial market by 2005. To move ahead more quickly in an otherwise slow decision-making process, work on a regulatory process with four levels was agreed and the European Parliament gave its approval in 2002. In December, the Council decided that faster action should also be taken on banking and insurance and now hopes to get Parliament's approval.

## Financial Conglomerates

In November the European Parliament gave final approval to new regulations on the supervision of credit institutions, insurance undertakings and investment firms that are part of a financial conglomerate and on their internal controls.

## Institutions for Occupational Retirement Provision

It will be possible for financial firms managing occupational retirement pension schemes ("institutions for occupational retirement provision", or IORPs) to become engaged in cross-border activities. With the permission and supervision of the Member State where it is established, an institution for occupational retirement provision will be able to offer its services throughout the EU. Conversely, employers will be able to use the services of an institute in any Member State.

The EU's Council of Ministers was able to complete its second discussion of the directive during the year and submit it to the European Parliament. It is hoped that the directive will be adopted at the beginning of 2003.

## Insurance Intermediaries

An insurance intermediary is a person who supplies insurance to a customer, either on behalf of one or more insurance companies (an agent) or from each insurance company in the market on behalf of the customer (a broker). During the year, the EU approved regulations that make it possible for insurance intermediaries to conduct business in all the countries in the EU if he or she fulfils certain professional requirements and is registered in one EU country.

## Accounting

In July new accounting regulations, which bring EU regulations closer to international standards, were approved. Beginning in 2005, these regulations are to be followed by European firms listed on a stock exchange.

## Information for Investors

The Council of Ministers reached a political agreement during the year on a directive that made the requirements for information in a prospectus when companies want to sell securities (for example, shares) to the general public more uniform.

In addition to guaranteeing potential buyers important information, the uniform regulations mean that companies can use the same prospectus in all EU countries when they want to look for investors in several European countries.

The Commission is currently preparing a new proposal on the information required from listed companies, for example, the contents of annual and semi-annual reports.

## Insider Trading

Uniform regulations on insider trading and other forms of market abuse are needed if there is to be cross-border securities trading and investors are to have confidence in the financial markets. During the year, the Council adopted a directive on insider trading and improper market manipulation, which shows clearly what the prohibition on insider trading will look like and make it easier to discover and investigate suspected infringements.

## Housing

An informal ministerial meeting on sustainable living was held during the year. Discussions included the need for declarations on the quality of housing, for example, on noise, indoor climate or materials. In preparation for the 2004 meeting, the ministers agreed, among other things, to study housing in high-rise developments and the social problems associated with this type of construction.

## Pharmaceuticals

The Commission's proposal for a comprehensive system for the approval and supervision of pharmaceutical products led to 140 proposed changes when the European Parliament

discussed it during the year. As the year came to an end, the Council had not yet taken a position.

The parts attracting the most attention in Sweden have been the increased information proposed on pharmaceuticals, including permitting advertisements for drugs (including prescription medicines) intended for people with HIV, allergies, or diabetes.

## Animal Testing

Testing cosmetic products on animals as well as selling cosmetics developed using animal testing will be prohibited. The new regulations will apply beginning in 2009.

## Third Generation Mobile Communications and Digital TV

The EU has conducted a review of the market for electronic communications (television, data and media) and in the past year, it has adopted a number of directives that will promote open competition in these markets. Among other things, the new regulations will make it difficult for companies that previously held a monopoly to block new companies that want to enter the market.

The EU Commission reports regularly on the difficulties faced in developing third generation mobile communications (3G) as well as digital TV and it has received support from the Heads of State or Government to try to remove any such difficulties.

## dot eu

Now there is a European alternative to dot com, dot net and other domain names on the Internet. Companies, organisations and private persons will soon be able to register the domain name dot eu (.eu). Registrations are expected to begin in spring 2003.

## The EU Patent

The Community patent is a priority for Sweden.

At present it is possible to apply to the European Patent Office (EPO) in Munich for patents and to obtain a number of national patents from one or more of the countries signatory to the European Patent Convention. All members of the EU plus an additional nine European countries have sub-

scribed to the Convention. However, this system is expensive and it lacks a court that can decide disputes about patent infringements.

The EU proposal supplements the current system with a new Community-wide patent. Application for this new patent is made to the EPO. Once granted, such a patent will be valid throughout the EU and will be processed in only three languages (English, French, and German). A special court will be able to try patent cases and revoke patents.

Disagreement, especially on judicial matters, made it impossible to come to a decision in 2002, but at a meeting of the Council of Ministers in March 2003 there was a breakthrough in the negotiations.

## Industrial Design

As a result of an EU directive, Sweden introduced certain changes to its legislation on industrial design (protection of a product's appearance) on July 1, 2002.

Protection has been extended from 15 to 25 years at most. Typeface or layout of a video display is now also eligible for protection. A design can, in certain cases, be protected if it has managed to become known even before the designer has submitted an application for design protection.

Since March 2002 only one application is needed to request design rights throughout the EU.

## Industrial Policy

Member States of the EU have decided to increase competitiveness and growth by focusing on innovations, information technology (IT) and an improved business climate through dissemination of knowledge, better access to capital, simpler regulations and support for entrepreneurs.

To be able to judge their success in living up to these ambitions, Member States together with the Commission are now working out quantitative goals for the Member States to try to reach.

As before, the Commission has put together a scoreboard to measure progress in the same way. When the third scoreboard was made public in 2002, Sweden placed well in such areas as low state subsidies, good access to risk capital and research and development programmes.

Sweden also received good marks in the reports issued by the Commission in the spring on how Member States support small business.



## Biotechnology Programmes

At the beginning of the year, the Commission presented a strategy for biotechnology. Heads of State or Government in the EU agreed at the Barcelona European Council that this industry is very important to Europe and they therefore requested an operational action plan for the sector. This plan was approved in November.

All measures in the action plan are voluntary on the part of both Member States and companies.

## Expiration of the Coal and Steel Treaty

The treaty establishing the European Steel and Coal Community, which was the start of European cooperation, expired July 23, 2002 after 50 years of existence. Consequently these industries no longer receive special treatment in the EU.

Only one part of the treaty lives on, namely research in this field. When the Treaty of Nice comes into force, such research will be incorporated into other EU cooperation.

## Competition

The Swedish Competition Authority and other national competition authorities will in future handle many of the matters that previously came under the Competition Directorate General of the EU Commission. It is part of a reform that will come into force on May 1, 2004, following political agreement reached by the Council of Ministers at the end of 2002.

To make sure that the national authorities and courts apply the EU regulations on competition in a similar fashion in all EU countries, the national authorities and the Commission will cooperate closely in a network.

At the same time the opportunity that companies now have to submit their agreements for review and approval from a competitive standpoint will disappear. Companies by now are thought to be so well-versed in EU competition regulations that such help is no longer needed.

The reform will free up resources at the Commission, which will be able to concentrate on the most serious breaches of competition regulations.

## Mergers and Acquisitions

Since 1990 cross-border acquisitions or mergers of companies (or mergers and acquisitions of a certain size) have required a green light from the EU Commission, which first examines whether or not the newly established company will be so large that it will curb competition in the market.

In November 2002 the EU Commission proposed that the regulations be changed so that what the Commission considered damaging to competition would be clearer to companies. Deadlines will also be more flexible to give companies the chance to rectify possible competition problems so that the merger or acquisition can be approved.

## Motor Vehicle Distribution

Since October 1, 2002 car dealers have been able to choose whether they want to sell only one make of automobile in their showrooms or whether they want to sell several makes. Breaking up the restrictive agreements between car manufacturers and dealers with exclusive rights will also make it possible to use other methods of selling cars, for example, the Internet. At the same time, more repair shops will be able to enter the market for servicing vehicles and selling spare parts.

These changes are included in the amendment to the block exemption from EU competition regulations that the motor vehicle sector has had for many years. The block exemption has gradually been changed to reduce the restrictive agreements between car companies and dealers with exclusive rights. With more players admitted to the market for cars and spare parts, the increased competition will lead to better service and lower prices.

## State Aid

State aid for large regional projects (within the framework for approved aid schemes) will no longer require advance notification to the Commission. That decision was taken in 2002 and comes into effect in its entirety in 2004. Instead standard regulations, which cover how much state aid large regional projects may receive without infringing the EU's general prohibition of state aid, are being introduced.

The new regulations also apply to sensitive sectors such as motor vehicles, synthetic fibre and steel.

## State Aid for Shipbuilding

Giving state aid to shipyards building container ships and product and chemical tankers will be permitted for a specified period. However, aid is not to exceed 6 per cent of the value of the contract. The reason is that these ships are competing with Korean-built ships, which are believed to receive unfair state aid.

The exemption (which will also apply to gas tankers if it can be shown that Korean tankers receive state aid) is valid until a solution to the dispute has been reached at the World Trade Organisation (WTO) or no later than March 31, 2004.

## Transport Policy

European transport policy needs to be able to provide for the management of congested roads and airspace, a situation which is expected to increase even more when the EU's internal market expands soon with ten new countries. In addition transport policy has to made part of sustainable development.

The Commission, in its White Paper on transport policy issued at the end of 2001, reckons that these problems can be solved. In 2002 the Commission presented several proposals from the White Paper.

## Less Freight on the Roads

One solution to the road congestion is modal shift, that is, trying to get some of the traffic transferred to other forms of transport. In December 2002 the Council of Ministers came to a political agreement to introduce Marco Polo, a programme subsidising environmentally friendly transport. From 2003 to 2006, Marco Polo will distribute €75 million to projects that steer freight traffic away from roads.

## More Railway Traffic

In January the Commission presented a second railway package with a number of proposals that above all will remove the many technical, administrative and safety-related obstacles that impede the smooth flow of railway traffic in Europe. Several proposals on freight and passenger traffic on railways are to be presented as follow-up to the package.

## Safety Belts

Under a directive adopted by EU transport ministers, safety belts in all motor vehicles under 3.5 tons will become obligatory. Drivers and passengers in buses and lorries must also use belts where they exist.

In addition the directive includes provisions on child safety in cars, such as the prohibition of rearward facing child seats in the front seat if there is an air bag. The directive will come into force in 2006.

## Commercial Drivers

Under a new EU directive, commercial drivers must have taken training or have passed a theoretical and practical test.

New EU regulations fix maximum weekly working time and night work for drivers working in the road transport sector. These regulations will come into force on March 23, 2005, or four years after that date in the case of drivers who are self-employed.

Beginning March 19, 2002, hauliers may only employ drivers from third countries who have a driver attestation.

## Bus Length

Non-articulated buses with a length of 15 metres are permitted in Sweden. By no later than March 2004, these buses will also be allowed to drive in other EU countries. Up until now, the maximum permitted length in the EU has been 12 metres.

## Recording Equipment in Road Transport

Beginning in the summer of 2004, digital recording equipment will be installed in all newly manufactured buses and lorries. The time driven will be stored on a smart card, which is used as a key to the recording equipment. In that way the card can be used when the police or another authority wants to check driving and resting times.

## Motor Insurance

New EU decisions making it easier to claim compensation from motor vehicle insurers for an injury incurred in an EU country other than the injured person's country of residence come into effect in Sweden on January 20, 2003.

The EU countries have been negotiating since June 2002

on additional changes to the decisions on motor vehicle liability insurance to strengthen the injured person's right to compensation. Special regulations have been proposed, among them the possibility of taking out an insurance policy when importing a car privately, as well as the possibility of keeping insurance protection for shorter stays abroad.

## Aviation

There are still national borders in the skies over Europe and hence air traffic control is divided. But the plans for a single European airspace are now one step closer after ministers reached political agreement on four new regulations on the air traffic system in the EU.

The basis for directing traffic will no longer be national borders but the flow of traffic. As well, uniform requirements will be set and transparent pricing for air traffic services will be introduced. Technical harmonisation of systems and components is also included in the proposed regulations.

In the fall of 2002 the European Aviation Safety Agency (EASA) was founded in Brussels. It is to be operational by the fall of 2003.

Compensation protection for air passengers will improve after the EU agreed on a regulation on responsibility for injuries in the event of an accident. The regulation is expected to be in force beginning in the fall of 2003.

Compensation and help will also be improved for passengers who are not allowed to board even though they have a confirmed reservation or whose flights are badly delayed. The Council has agreed a new regulation and it is expected to be adopted in early 2003.

## Safety at Sea

The oil tanker Erika's accident off the French coast in the winter of 1999 led to several proposals on better safety for both ships and the environment. In 2002 the Council of Ministers approved three of these proposals.

One proposal deals with accelerating the requirement to introduce double hulls for oil tankers, which give better protection than single hulls should a ship run aground or be in a collision.

Controls will be tightened by introducing a system for monitoring ships plying the waters of EU countries and an exchange of information about them. A European agency for maritime safety has been established.

In June the Council adopted regulations for stability requirements for ro-ro passenger ferries that will remedy the risk of a large volume of water collecting on deck. In addition it was decided to introduce stability requirements for passenger ships on domestic routes and to require adjustments to passenger ferries to meet the needs of passengers with disabilities.

## Deregulation of Seaport Services

The Council has now agreed how the market for seaport services is to be opened. The issues of most concern are port pilotage, towing, and cargo handling.

Sweden voted against the directive, as the principle of self-handling is not confined to the handling of cargo with a ship's own crew and equipment. The directive has to pass a second reading by the European Parliament before it can be formally adopted.

## Satellite Navigation

Difficulties in finding private financing have delayed the EU attempt to create a European satellite navigation system. However, the Heads of State or Government in the EU consider the GALILEO project to be very important and have decided to set in motion the next phase -- the development and validation phase. From 2002 to 2005, the new system will be designed in detail and tested on a small scale.

For this phase, €550 million will come from the EU budget. The European Space Agency (ESA) will contribute an equivalent amount. Building the system will be completed between 2006 and 2007 so that it can begin service in 2008.

## Research

Seven main themes dominate the EU's Sixth Framework Programme for Research, which runs between 2002 and 2006 and has a budget of €17.5 billion. The themes are biotechnology, information technology, nanotechnology, aeronautics and space technology, foodstuffs, sustainable development, and citizens and forms of governance in a knowledge-based society.

With these Framework Decisions in hand, negotiations on a detailed distribution of financing have since been conducted.

## Stem Cells

There has been an intensive debate on research into stem cells going on in 2002. In the negotiations on the research programme, Sweden has taken the position that each country should be allowed to decide whether or not to permit this research. However, the Council of Ministers decided in December to freeze all grants for stem cell research for the next year. This will give the Commission time to examine the question in detail.

## Mobility of Researchers

Sweden has also pursued the issue of more grants to give researchers the opportunity to work for a time in other EU countries. Grants for stipends to researchers will now be doubled.

## Increased Funding

The EU's goal of establishing a genuine European Research Area with close cooperation, exchanges and networks was adopted at the Barcelona European Council in March. At that time the Heads of State or Government set the goal that all EU countries would increase their grants to research so that in 2010 these grants would amount to at least 3 per cent of GDP

The Heads of State or Government also decided to aim at increasing the private part of research grants from the current 56 per cent to two thirds in the future.

## Labour Market

In 2002 the EU employment strategy had been in force for five years. The EU Commission has evaluated the results. It found that structural unemployment has fallen during this period, growth is making a greater contribution to job creation and the labour market is now responding to changes more rapidly.

Whether or not these results are attributable to the EU employment strategy or to other factors cannot definitely be said, but the strategy has obviously made Member States focus on active and preventive labour market policies (instead of only giving unemployment benefits), to put more effort into adult education programmes and to pursue gender equality.

The goal of the EU is that by 2010, 70 per cent of the

working population, 60 per cent of women and 50 per cent of older workers will have jobs. Despite the progress made, a great deal of effort will be required to achieve the goals.

## Guidelines

Every year the EU produces guidelines for employment policies and Member States translate them into national policy. The Member States submit national action plans on measures that they have taken and these plans are reviewed jointly. This is an important part of countries' exchange of information about their experience.

The EU Commission makes an annual report on the situation. In the draft of the 2001 annual report, it was the Commission's view that the pace of labour market reforms had declined a little. Employment in Europe grew by 0.6 per cent, an increase that means that the EU has reached an employment level of 63.9 per cent of the working population. The percentage of older workers employed is 38.5.

Unemployment fell by 0.6 per cent compared with the previous year.

## Sweden's Measures

Sweden submitted its action plan for 2002 in May. One section deals with the supply of labour and the Government's measures to foster its growth in the long term.

The Commission gives Sweden high marks in the joint report for its initiative to break the one-sex dominance in many occupations (for example, manufacturing or health care and social services) and for ensuring that the active labour market policy is effective.

## Corporate Responsibility

The concept of corporate social responsibility means that businesses, on a voluntary basis, integrate social and environmental concerns with their business operations and with their cooperation with various players, an approach having a long tradition in Europe.

Corporate social responsibility is the subject of a strategy that the Commission presented in July at the same time as its proposals on a multi-stakeholder forum. This forum, with participation by representatives from the social partners and other interest organisations, was established in October. By exchanges of knowledge and experience respecting various methods, this forum will present the basis for drawing up common EU strategies.



## Employee Influence

Under a new directive introduced, companies are obliged to provide information to their employees and to negotiate with them. In Sweden, the Government in 2002 appointed a commission on how to introduce into Swedish law the EU regulations adopted in 2001 on employee influence in a new legal form of European company.

## Temporary Employment Agencies

The EU Commission is proposing that employees of a temporary employment agency should have as good working conditions as employees of the user enterprise where they are working. Negotiations on the proposal for a directive will take place in spring 2003.

## Travelling Doctors

Many professions may be practised only by those having special qualifications, but these qualifications may differ from one country to another and make it difficult to take a job in another EU country. This problem is especially true of occupations in health services and medical care. The EU Commission has presented a proposal to make recognition of professional qualifications easier in other EU countries.

## Day Care Availability

One aim of the Lisbon strategy agreed in 2000 is to make the European Union the world's most dynamic and competitive region while preserving social welfare. On Sweden's initiative, a target for the number of day care places has been introduced. By 2010, at least 33 per cent of children under three years old are to be offered a place in day care as well as 90 per cent of children between the age of three and the school age. The intention is to make it easier for women to take a job.

## Regional Policies

The common regional and structural policy is the EU's most important instrument for correcting imbalances and differences in economic development between regions in Europe.

The support is distributed via the Structural Funds, which have budgets that run for seven years at a time. The current period, 2000 to 2006, is disbursing €195 billion to three pri-

ority objectives and four Community initiatives. This year Sweden will receive €2.2 billion from these Funds.

The system for the Structural Funds is complex and many Member States have criticised it. In recent years a great deal of money could not be paid out. This situation has reinforced demand to simplify its procedures. The Commission, which is responsible for the Structural Funds, has begun work to improve routines.

In Sweden a project group has been formed that participates in the work by providing the Commission with comments. The group will also see if the Swedish system can be simplified.

## Agriculture and Fisheries

There has been a great deal of discussion during the year on the Commission's midterm review of the agricultural policy. In 1999 the Berlin European Council had requested a review of the milk quota system, cereal prices, the oilseeds support scheme, the market for beef, and the costs of the agricultural policy. But the Commission elected to present a broad reform of the agricultural policy in July.

The proposal aims at removing the linkage between support and production. A farmer meeting the requirements for the environment, the protection of animals, food safety and the workplace will continue to receive support. To begin with, the level of support will be calculated based on his or her previous production (historical references).

A cut in support to farmers of 3 per cent a year for a total reduction of 20 per cent is being proposed. Member States would be allowed to have control of these funds to use for the environment and rural development.

The Government supports the aim that production should be for the market and not for the support system, even though the Commission is not fully embracing a market oriented approach. The actual negotiations may get underway in 2003 when formal proposals have been presented.

## Mad Cow Disease

The market for beef has recovered from the Bovine Spongiform Encephalopathy (BSE) crisis (mad cow disease) and prices are now at about the same level as before the crisis. The inventory built up when the EU intervened and purchased beef to keep prices up has largely been sold off.

The number of new cases of BSE is falling in all EU coun-

tries except Ireland and Spain. Sweden has not had any cases of BSE.

Stricter controls for scrapie (a BSE-like disease in sheep) will be introduced, as negligence in controls is suspected. Scrapie is believed to be able to conceal the presence of BSE. Sweden had two cases of scrapie in 1986.

Sweden supports the continuance of the prohibition on meat- and bonemeal as well as the prohibition against feeding animals with slaughterhouse waste. A directive to this effect was adopted later in the year, but Sweden voted against it at that time because the directive allowed certain exceptions for food waste.

## Tighter Hormone Ban

The EU bans the import of meat from cattle given growth hormones. For that reason the regulations against the use of hormones in the EU are also being tightened. In future a total prohibition will continue to apply both against the use of hormones to promote growth in animals and against the use of oestradiol-17beta in animals whose meat is used for food.

## Prohibition of Antibiotics

The EU agriculture ministers have agreed that all antibiotics used to promote growth will be prohibited as additives to animal feed. Sweden has long had such a prohibition.

However, coccidiostats (a medically effective substance that prevents intestinal disorders) will be permitted as a feed additive but with a ceiling on the permitted residual amount in animal feed. After 2008 its use will be reviewed once more. Up until now, Sweden has banned coccidiostats.

## Animal Transport

The Scientific Committee has recommended in a report that the EU should tighten requirements for animal transport. The Government supports this recommendation. The Commission plans to make proposals on the matter.

## Food-Borne Diseases

The EU Commission wants to tighten regulations to fight animal diseases that can be transmitted to people through food or in other ways. In December the Ministers reached an agreement on a proposal and it went on to the European Parliament for a second reading.

**The European Parliament** is co-deciding in a number of policy areas. It can propose changes to directives that the Council of Ministers has agreed.

## Movement of Pets

Pets will be allowed to travel freely in the EU without any special provisions under a proposal agreed by the agriculture ministers. This proposal will be in force for a minimum of five years.

This proposal does not apply to dogs, cats and polecats. These animals are to be vaccinated against rabies and carry a certificate and tattooing or microchips for identification.

However, Sweden, which is free of rabies, may take blood tests from all pets entering the country to check that they have been vaccinated. Sweden may also continue to require deworming of dogs and cats to avoid the spread of fox tapeworm.

## Dog Fur

At a meeting of agriculture ministers in November, the Government proposed that the EU introduce an import ban on cat and dog fur. The proposal had the support of several ministers on the Council and the Commission promised to examine the matter.

## Cadmium

Sweden will be allowed to maintain its ban on the sale of fertiliser containing cadmium in amounts larger than 100 grams per ton of phosphate until the end of 2005.

## Plant Health

An electronic plant certificate is one of the new features in a directive on the protection of plant life adopted in November. It will come into force beginning January 2005.

The directive requires Member States to take measures to prevent the introduction of harmful organisms or their spread in the Community. Controls are being tightened and customs and plant health authorities will cooperate more closely.

## Fisheries Policy

In December the fisheries ministers decided to reform the Common Fisheries Policy (CFP). From now on fish quotas will be distributed over several years at a time, the quotas will be sharply reduced, controls on overfishing will be tightened and support to regions that are economically dependent on fishing will be increased.

The Commission has presented an action plan for sustainable fishing, which includes support for biological diversity and a reduction in the number of unwanted fish discarded overboard. The Commission is working on a marine strategy to protect and preserve the seas.

## Foodstuffs

The European Food Safety Authority (EFSA), with temporary quarters in Brussels, can now begin work. The Executive Director will be Geoffrey Podger from Great Britain and the Chair of the Management Board will be Stuart Slorach, the Deputy Director-General of the Swedish National Food Administration (Livsmedelsverket).

One task of EFSA will be to make a scientific assessment of genetically modified products before they can be sold. Under a new directive, foodstuffs or animal feed containing genetically modified ingredients will be labelled so that the consumer can make a conscious choice.

## Food Hygiene

In 2002 the Council of Ministers agreed several parts of the “hygiene package” proposed by the Commission to guarantee food safety. Included are tighter regulations for the production and control of goods of animal origin and for animal welfare. The package will be followed up in 2003 by regulations tightening control of foodstuffs and animal feed.

## Wine Surplus

There continues to be a surplus of wine. France, Portugal and Italy have kept on applying the crisis distillation measures. Sweden voted against permitting this.

## Organic Produce Promotion

It will be possible to get EU support for conducting promotion campaigns in Sweden for organic products such as fruit, vegetables and living plants. Interested organisations in this sector will have to pay 30 per cent of the costs.

## Allergy Warning

People with allergies can now get help from stricter labelling requirements for foodstuffs. The regulation that an ingredient had to be listed on the label only when it came to more

than 25 per cent has been removed. Instead each ingredient constituting 2 per cent or more of the item will be listed. Nuts, gluten, milk, eggs and shellfish belong to a group of products that must always be listed under their own name. From now on alcoholic beverages will also be labelled if they contain any possible allergens.

## The Environment

The third part of the Lisbon strategy, the environmental dimension, was discussed for the first time at the Heads of State or Government level at the Barcelona European Council. Climate and transport in particular were important issues of discussion. It was agreed to ask the Commission to draw up an action plan for environmentally friendly technology.

In the fall, the environment ministers did more work on proposals on how the environmental part of the Lisbon strategy could be strengthened when it is evaluated at the spring summit meeting in 2003.

## World Summit on the Environment

At the United Nations meeting on sustainable development in Johannesburg in September, the international community agreed to set a goal to stop using and manufacturing chemicals that can lead to negative environmental and health effects. A global chemicals strategy will be established by 2005 and a global classification and labelling system by 2008.

It was also decided at the meeting that the number of people who do not have access to clean drinking or basic sanitary water is to be halved by no later than 2015. By 2010 the world is to have sharply curtailed losses in biodiversity. By 2015 fish stocks that are threatened with extinction are to be restored.

Sweden is currently implementing the EU Framework Directive for water, which corresponds in part to the commitment made by Sweden at the world summit in Johannesburg.

## Ten-Year Action Plan

In summer 2002 the EU agreed its sixth environment action plan. This plan runs from 2001 to 2010. The plan covers four main areas: climate, nature and biodiversity; environment,

health and quality of life; and natural resources and waste.

Within three years, the EU Commission is to have prepared specific strategies with objectives and measures for air quality, the marine environment, the use of natural resources, pesticides, waste recycling, soil protection and the urban environment. The strategy on pesticides is underway and satisfies Sweden's wishes.

## Climate

The EU and its Member States have decided to ratify the Kyoto Protocol, which involves a promise to reduce greenhouse gas emissions by 8 per cent on average in the years 2008 to 2012, compared with the base year of 1990.

When the total reduction was allocated among EU countries, Sweden was given the right to increase its emissions by 4 per cent.

In December environment ministers agreed to introduce a system for trading emission rights. This system will make it easier to meet the targets in the Kyoto Protocol. The system aims to allow establishments that manage relatively simply and cheaply to lower their emissions more than what is required to sell their emission rights to establishments that do not pass the requirements. In this way the reduction in emissions in the EU will take place where it is cheapest.

Each Member State decides on its national targets and allocates emissions rights to the affected enterprises. The allocation is free between 2005 and 2007 but from 2008 to 2012 it will be possible to hold auctions of some of the rights.

## Recycling

In 2002 directives were adopted both on waste from electrical and electronic products and on the limitation of dangerous substances in such products. The rapidly growing amount of electrical and electronic waste and increasing incidence of dangerous substances in these types of products make common regulations necessary.

The manufacturers' responsibility and the steps needed to manage and recycle the waste are among the issues addressed in these regulations.

## Forestry Policy

The two EU regulations on forestry and forestry issues expired in 2001, but were extended to 2002. The Commission has presented a proposal that would replace them.

Given the increased costs to Member States that the proposal might entail and the importance of the forestry industry to Sweden, the Swedish Government has been hesitant to see these questions discussed at the Community level.

## Genetically Modified Organisms

In December 2002 the environment ministers agreed on new regulations on traceability and labelling of genetically modified organisms (GMO). The regulations will make it easier to withdraw products if they are seen to be dangerous to the environment or health.

The EU directive on the deliberate release of genetically modified organisms in the environment will come into effect as Swedish law on January 1, 2003. The EU Commission has proposed regulations on tougher requirements for transporting genetically modified organisms and for their export outside the EU.

## Sweden's Derogations on the Environment

During membership negotiations, Sweden was given for a specified period the right to retain stricter environmental rules in several areas while the EU conducted a review of its own regulations. The exception for chemicals expired at the end of December 1998.

The EU has now decided to limit the use of tin-based compounds (harmful antifouling paint) and to tighten the regulations on using arsenic. Sweden is waiting for the EU Commission's risk assessment of cadmium (other than in fertiliser).

## Water Policy

The EU countries have agreed a policy on measures concerning water. The objectives will be to stop the deterioration of marine ecosystems and ecosystems in lakes and watercourses, to protect and improve the aquatic environment through a reduction in spills and discharges, to reduce the pollution of groundwater, to promote sustainable water use, and to mitigate the effects of floods and droughts.

Member States and the Commission have together begun to develop guidance documents.



## Bathing Water

In 2001 Sweden was found in non-compliance by the Court of Justice for not having implemented all the controls required by the directive on coastal and inland bathing water. This year the Commission has presented proposals to change the directive to make it possible to take fewer tests if the bathing water has been of high quality for a long time.

### Directives

are addressed to Member States and are to be transposed into national law in an appropriate way.

## Exhaust Fumes

Requirements governing motorcycle exhaust fumes were tightened under new regulations adopted in the summer. The new requirements will apply in steps, first in 2003 and second in 2006.

The sulphur content of petrol and diesel will also be lowered under a new decision. For cars, the sulphur content allowed will be 50 parts per million beginning in 2005 and 10 parts per million beginning in 2009. For non-road machinery the sulphur content allowed in diesel will be a maximum of 350 parts per million beginning in 2005 and 10 parts per million beginning in 2010. Regulations on pleasure boat exhaust fumes (as well as noise emissions) are under-way.

## Nuclear Safety

The EU Commission proposed during the year that EU countries should jointly regulate nuclear safety. Such regulation would concern the operation of nuclear power plants, the handling of radioactive waste and the decommissioning of nuclear power stations. Each country is to appoint an independent authority that will make an annual report to the Commission on safety at the country's nuclear installations.

Eight of the EU's 15 countries have nuclear power plants. Several accession countries also have nuclear power plants. Two applicant countries (Lithuania and Slovakia) have agreed to close nuclear power plants that are considered unsafe.

## The Right to Know

There are now new EU regulations that give the public increased right to environmental information, for example, on noise, energy and emissions. The public also has the right to participate in certain decision-making processes when the EU is going to draw up plans or programmes having an environmental connection.

# Education

The exchange programme Erasmus has been in existence for 15 years. This past year it sent its millionth student to a foreign university for a study period.

In 2002, 2,600 Swedish students were studying outside Sweden, thanks to Erasmus. This is a reduction in the number going abroad to study. Likewise, the number of Swedish teachers practising for a period abroad has declined. The Government is now considering what can be done to reverse this trend.

However, the number of foreign students spending time at a Swedish university through Erasmus increased to 4,600 students in 2002.

In 2002 almost 250 Swedish schools took part in a programme to strengthen European cooperation called Comenius. In addition 200 Swedish teachers participated in European continuing education programmes.

One thousand Swedish students took part in traineeships or in exchanges as part of the Leonardo da Vinci programme for professional training and competence development.

Training and competence development are among the issues that receive special emphasis in the EU's Lisbon strategy (a ten-year plan to improve growth, welfare and social equality in the EU). The ultimate objective is that Europe's education systems will be the best in the world by 2010. At the 2002 spring summit meeting, the Heads of State or Government decided that there should be regular follow-ups and reviews of the progress made by such means as the establishment of quantitative subobjectives and reference values.

Aims also include the strategy for life-long learning and cooperation in the area of professional training. The Council has decided that the cooperation is to have a voluntary basis and concentrate on the European dimension, for example, information and guidance as well as the recognition of competence and qualifications.

## Postgraduate Education

The Commission has also proposed that students and academics from countries outside Europe be given the opportunity to pursue postgraduate studies arranged jointly by several European seats of learning. This programme would be equivalent to the American Fulbright programme. Likewise EU students would be able to attend seats of learning outside the EU. The decision on "Erasmus World" will be

made in the fall of 2003 and if approved, the programme will, according to the proposal, be implemented starting in 2004 and ending in 2008.

## Youth Policy

The youth ministers decided during the year to cooperate on a new European initiative for youth. Influence and participation as well as information are to be emphasised, but also voluntary work and better knowledge about young people. When the EU discusses other policy areas, the youth dimension is to be included.

Cooperation will follow the open method of coordination, under which common objectives and experience are shared but no mandatory EU decisions are taken.

In 2002, 1,700 Swedish young people and youth leaders participated in the exchanges and voluntary service, which is part of the EU's seven-year "Youth" programme.

## Social Issues

Social policy is still a national matter. To promote cooperation among Member States, the Social Protection Committee was set up three years ago. Cooperation consists mainly of exchanges of information and experience.

In 2002 the Committee's work has focused on pensions, programmes to counter social exclusion, health care and care for the elderly.

## Pensions

Europe, with its aging populations, risks having a demographic crisis as the number of older people is increasing at the same time that too few children are being born. By September 2002, Member States had developed national strategies to meet this challenge. Their starting point has been that all countries must create pension systems capable of providing for a growing number of pensioners.

Based on the national strategies, the EU Commission is compiling a progress report for the spring summit in March 2003. Subsequently, the EU's goals and working methods for pension systems will be evaluated.

## Social Exclusion

The EU countries are currently working with the second round of national action plans to combat poverty and social exclusion. In December 2002 the Copenhagen European Council decided that countries are to set national targets so that by 2010 the number of persons living in poverty will have fallen substantially. These targets will focus especially on the exclusion of immigrants and on gender as risk factors for poverty.

An EU programme for European cooperation on fighting exclusion started in 2002. The programme runs for five years and has €75 million to distribute to suitable projects.

## Health Care and Care for the Elderly

The EU has agreed on three objectives for health care and care for the elderly: 1) the service is to be available to everyone; 2) the service is to be of high quality; 3) the systems will get financing, even if they come under heavy pressure.

In 2002 a questionnaire was circulated in all Member States to see how the objectives were being carried out. The results will be presented at the EU spring summit in 2003.

## The Social Safety Net

The EU has a regulation (1408/71) that establishes the authority responsible for paying social benefits to citizens living in another EU country for a shorter or a longer time. Member States are now negotiating how gradually to modernise this regulation. In fall 2002, they agreed that part of section three of the regulation dealing with sick pay and maternity and paternity allowances.

The Council of Ministers decided that the same rules on the social safety net are to apply to immigrants having permission to live in an EU country.

## Gender Equality

The EU has elected to develop indicators to enable it to monitor and compare progress in the work on equality between men and women. Thus far, indicators have been developed to assess women's standing in the decisionmaking process, women and the economy, and equal pay. In 2002 indicators were developed for domestic violence against women and the Member States' measures to counteract it. The next set of indicators to be developed will cover women and decision-making in the private sector.

## Discrimination

The Swedish Government is proposing three new laws to implement the EU directive on discrimination. These prohibit discrimination on the basis of ethnic origin, religion or belief, disability or sexual orientation. A bill was presented to the Riksdag in spring 2003. The date proposed for these laws to enter into force is July 1, 2003.

A commission is considering how the EU prohibition against age discrimination is to be incorporated into Swedish law (to be introduced no later than 2006) as well as whether or not Swedish legislation is sufficient as it now stands to meet the EU's second directive on equal treatment.

## Public Health

In 2002 the EU adopted a comprehensive public health programme for 2003 to 2008. The three areas of emphasis are: better information for citizens on how they can improve their health; rapid response measures in the event of health threats; and cooperation on identifying the most important determinants of health.

## Blood Safety

Regulations to reduce the risk of transmitting illness via blood transfusions were approved in 2002. The regulations establish requirements for the collection, processing and storage of blood and blood components.

## Human Tissues and Cells

Human tissues and cells need to be handled safely and carefully and the EU Commission now has proposed regulations to achieve that end. The proposal specifies the safety and quality requirements that are to apply to donation, procurement, processing, storage and distribution. Requirements are established for tissue banks and there is a public authority to make sure that the regulations are followed.

Voluntary donation without remuneration is to be encouraged. The directive includes regulations covering secrecy and protection of personal information.

## Reducing Smoking

In December 2002 the Council of Ministers agreed a new directive on prohibiting tobacco advertisements in printed matter and radio transmissions and on the Internet. Tobacco

companies are also prohibited from sponsoring cross-border radio programmes or events, as well as handing out cigarettes or other tobacco products at such events.

The Court of Justice has rejected an earlier directive on advertising because it also prohibited advertising that did not cross borders, a prohibition that the EU does not have the power to make.

Instead the Council of Ministers has approved a recommendation that encourages Member States to avoid advertisements or sponsorships of tobacco products. It also calls upon manufacturers and importers to report how much money they spend on advertising.

It was also recommended that Member States prohibit the sale of tobacco to children and young people and provide information on the harmful effects of tobacco.

## Tobacco and Alcohol Imports

In membership negotiations, Sweden was allowed the right to limit tobacco and alcohol imports after travel abroad more than EU regulations provide. The Swedish limitations will now be gradually removed and beginning January 1, 2004, the common EU regulations on private import will come into effect.

Beginning January 1, 2003 after a trip to another EU country, a Swede will be able personally to bring in: 5 litres of spirits; 6 litres fortified wine, 52 litres of wine, 64 litres strong beer, and 400 cigarettes (or 100 cigars, 200 cheroots, or 550 grams of smoking tobacco).

## Narcotics

In 2002 the EU five-year strategy on drugs reached midterm and the EU conducted an evaluation that found that Member States had made progress. One important conclusion is that in 2003 and 2004, Member States must give the fight against synthetic drugs top priority.

## Consumer Policy

During the year the Commission presented a five-year consumer policy strategy. It established three objectives: a high level of consumer protection; effective enforcement of the regulations; and involvement of consumer organisations in EU cooperation.

In the action plan presented in July, the Commission pro-

posed that good practice in consumer protection should include regulations on misleading practices, a requirement to provide the consumer with material information, and systems for complaint handling that actually work. In considering such issues as complaint handling, the Commission intends to propose how Member States can cooperate to make sure that the regulations are followed.

## Telephone Sales

The Council of Ministers has agreed regulations for financial services purchased at a distance, for example, over the telephone or on the Internet. The seller has an obligation to provide information and the buyer has the right to change his or her mind. The directive on distance selling of financial services is to be transposed into Swedish law by October 2004 at the latest.

## Dispute Settlement

Consumers may need help in complaints about purchases made in another EU country. In 2002 the European Extra-Judicial Network for cross-border dispute resolution (EEJ-Net) has conducted a test programme in which consumer agencies in all countries cooperate in settling disputes.

In 2002 all Member States plus Norway and Iceland joined the network, which has heard more than one thousand complaints. The trial period has been extended to March 2003 and after that time the EU Commission will conduct an evaluation.

## Higher Prices

On two occasions, the Council of Ministers has discussed complaints from many directions that prices have secretly been raised in connection with the changeover to the euro in 12 EU countries on January 1, 2002. It appears to be difficult to prove whether or not businesses have taken advantage of the changeover to raise prices or whether the price increases have other causes.

## Culture

EU cultural programmes are to help and support the development of culture in Member States and preserve their cultural heritage. The current cultural programme, Culture

2000, is in effect from 2000 to 2004 and has a budget of €167 million, with €38 million for 2002. Twelve candidate countries are participating in the programme.

During 2002, grants were awarded to 224 cultural projects, 34 of which had Swedish participation. Twelve of these projects had Swedish leaders.

In 2002 the culture ministers approved a workplan. Its objective is to give culture a central role in European integration and to improve coordination with other policy areas.

## TV and Film

The EU media programme, Media Plus, runs from 2001 to 2005 and has a budget of €400 million. Its aim is to strengthen the audiovisual industry's competitiveness and to expand the distribution of European productions. Nine candidate countries are participating in the programme.

The EU has had regulations on cross-border television transmissions since 1990. As part of a major review of the directive on television, the Commission is to examine the rules on advertising and look into how the rules on the protection of minors are working, how society as a whole can have access to events of major importance, how cultural diversity can be promoted, and how competitive the European programme industry is.

The Government has pointed out to the Commission that it is a serious omission that no report on the affect of television advertising on children has been compiled. The Government also wants the Commission to review the "principle of country of origin". This principle means that it is the rules and regulations in the country where the broadcast originates that apply rather than the regulations in the country receiving the transmission.

## Judicial and Police Cooperation

On December 4, 2002, the European Judicial Network in civil and commercial matters was inaugurated. The Network will provide information on its website and issue fact sheets, for example, on cross-border divorce disputes, the possibilities of getting legal assistance and so forth. The Network will also help the authorities in various countries work together to solve citizens' problems smoothly.



The address of the Network's website is:  
[http://europa.eu.int/comm/justice\\_home/ejn/index\\_sv.htm](http://europa.eu.int/comm/justice_home/ejn/index_sv.htm)

## Free Movement of Judgments

There are regulations designating the country and the court in which a civil proceeding is to be decided. Judgments announced by courts in one EU country are to be recognised and can be enforced in another EU country. Decisions to this effect can be found in the Brussels I Regulation that came into force on March 1, 2002.

The regulation also gives the EU the right to enter international agreements on courts' competence. Thus a Member State can no longer make such agreements of its own accord.

To simplify the possibility of enforcing judgments, the Commission proposed during the year to introduce a European Enforcement Order for uncontested claims. The idea behind the proposal is that someone having a claim against a person or company in another EU country (and the person or the company does not contest the claim) is to be able to get a judgment or a decision enforced in every Member State in which property exists without any extra checks on judgment.

**Regulations,** unlike directives, come into force as soon as they have been decided and exactly as they are written.

## Legal Aid in Another Member State

A party in a civil proceeding in another EU country – for example, about the purchase of an automobile in Germany or an apartment in Spain – is to be guaranteed legal aid on the same terms as a person who is resident there. The Council reached a political agreement on this proposal at the end of 2002.

## Judgments in Decrees in Custody Disputes

The decision of a court or agreement by the parents on access to children or children's residence is to be recognised and enforced in other EU countries without needing to have a new civil proceeding in the case. This is the content of a regulation proposed by the Commission in May 2002, which is currently under negotiation by Member States.

The proposal concerns child custody, access to children and their residence. The proposal differs from the existing regulation in that it also applies to children of parents who are unmarried.

## Damages

The European Commission has proposed introducing provisions in the Community on which country's laws a court should apply when it hears a case involving a claim for damages with an international connection.

It is the Government's view that establishing such a legal system to create transparency and justice is of interest but the issue of how the provisions are to be formulated requires careful consideration. At least one of the proposed provisions, that on a suitable law on libel, should be changed so as not to risk coming into conflict with national regulations on the freedom of expression.

## Victims of Crime

In most EU countries, a victim of crime can get compensation from the state. Likewise, with cooperation between the authorities, anyone who suffers a crime when in another EU country should be able to get compensation. The EU Commission made a proposal to that effect in October 2002.

## Preventing Profiting from Crime

A court in one EU country will be able to decide to freeze a suspected criminal's property or evidence located in another EU country. The authorities in the second EU country will then enforce the freezing of assets and preservation of evidence.

A Framework Decision to this effect is being negotiated in the Council and is close to adoption.

However, the Government needs the Riksdag's approval first. Therefore at the beginning of 2003, it will submit a bill to the Riksdag about approving the Framework Decision.

In December 2002 the Council agreed a Framework Decision that will make EU countries better able to force criminals to forfeit their profits from crime.

## Foreign Fines

The Government intends to request the Riksdag's approval of a Framework Decision on enforcing fines in Sweden even though they were imposed by a court in another EU country. Negotiations are expected to be concluded only by fall 2003.

## Professional Disqualification

A lawyer, a doctor or an accountant may, for various reasons, be disqualified from practising his or her profession. On a Danish initiative, the Council has begun to discuss the possibility of disqualifying in all EU countries a person whom the authorities in one EU country have found professionally unfit.

## Cooperation Among Prosecutors

In February 2002 the Council decided to establish Eurojust, an organ for cooperation between prosecutors in international criminal investigations. Eurojust can take action against the same types of crime as Europol can.

Eurojust has worked on a provisional basis this past year and Swedish prosecutors have already taken part in several coordinated actions.

The European Judicial Network in criminal matters, which cooperates in matters of serious crimes, met three times in the previous year. Among the matters discussed was a computer tool that would facilitate requests for legal assistance. The Network also discussed cooperation with Eurojust.

## Criminal Investigations

Four EU countries proposed the possibility of setting up joint criminal investigation groups for crimes with links to several countries. There is a convention to that effect but it will not come into force until it has been ratified by eight countries. The Riksdag has approved a Swedish “yes” to the Framework Decision. The European Council adopted the Framework Decision in June 2002. It is proposed to come into force on July 1, 2003.

## European Arrest Warrant

In January 2004, cooperation on new surrender procedures between EU countries will be introduced. One EU country can then issue a European arrest warrant to have someone who is wanted for a crime or has been convicted handed over by another EU country. The new system is faster and simpler than the current system.

## Terrorism

During the year the EU has continued to implement the action plan against terrorism adopted by the European Council 10 days after the events of September 11, 2001 in the United States. The EU and the United States are negotiating an agreement for judicial cooperation that includes the extradition of suspected criminals. One of the most important issues for Member States of the EU is receiving guarantees that the death penalty will not be imposed on anyone who is extradited.

In June the Council adopted a Framework Decision on terrorism, which states what is considered to be an act of terrorism and the punishment that is to be meted out. A bill with proposed legislative changes to implement the Framework Decision has been presented to the Riksdag. The Government has submitted its proposal on how to make changes to the Swedish laws.

During the year the ministers agreed a political document on how the EU is best able to prevent and limit damages in the event of a terrorist attack with weapons of mass destruction.

## Drugs

A midterm evaluation of the EU action plan on drugs, 2000 to 2004, was conducted in 2002. The action plan includes several points about combating drug crimes. The evaluation, which was looking for more concrete measures, led to the Council's approval of a specific proposal for an action plan on the work of crime fighting authorities to counter the production and trafficking of synthetic drugs and precursors, that is, chemicals used to clean and manufacture drugs. In connection with the evaluation, the Council may consider concrete plans respecting heroin, cocaine and crack in 2003.

## Child Pornography

In 2002 EU justice ministers agreed a Framework Decision directed against the sexual exploitation of children and child pornography. It contains definitions of what constitutes a punishable offence and what sentences can be handed out.

## Trafficking in Human Beings

In July 2002 the Council adopted a Framework Decision prohibiting the trafficking of human beings for the purposes of labour exploitation as well as sexual exploitation. Member States are to have transposed the Framework

**Framework decisions** apply to police and criminal law cooperation. Framework Decisions are binding on the Member States as to the result to be achieved but leave to the national authorities the choice of form and methods.

Decision into national legislation no later than July 31, 2004. The Riksdag has approved draft legislation for the Framework Decision.

In November 2002 the Council adopted a directive and a Framework Decision on the smuggling of human beings with the aim of intensifying the fight against illegal immigration and the smuggling of human beings. The directive states the actions that are to be forbidden; the Framework Decision gives the penalties that are to be imposed. The crime is to be punishable by a six-year prison sentence if it is committed by a criminal organisation or if it has endangered the lives of the people being smuggled.

## Environmental Crimes

Serious environmental crimes are to lead to severe penalties. The Council of Ministers has agreed a Framework Decision to this effect. The Government is of the opinion that no changes are needed to Swedish law to implement the Framework Decision.

## Corruption

In December ministers agreed a Framework Decision that makes corruption in the private sector a punishable offence and specifies the penalty that the crime should have.

## Cyber Crime

During the year justice ministers negotiated a Framework Decision on how EU countries should legislate against information technology crimes. Under the Framework Decision, illegal access to an information system and certain disruptions of information systems' structure and data are to be punishable offences. The EU regulations are intended to be consistent with the Council of Europe's Convention on Cyber Crimes.

## Police Cooperation

Since 2002, the European Police Office (Europol) has had the authority to fight crimes such as murder, racism and xenophobia, fraud, computer crime, illicit trade in weapons and ammunition, and environmental crimes.

In addition, a decision in November 2002 on changing the Europol Convention gives Europol the opportunity to participate in criminal investigations conducted jointly by sev-

**Europol**, has the authority to fight serious crimes involving car theft, drugs, trafficking in human beings, terrorism, smuggling of radioactive substances, and money laundering.

eral EU countries. In certain circumstances, Europol may ask the national authorities to start a criminal investigation or coordinate one with other countries.

These changes will not come into effect before all countries have incorporated them into their national constitutional arrangements.

Europol currently has cooperation agreements with some ten countries outside the EU and with Interpol. There are now liaison officers from Europol on secondment in the USA and at Interpol.

The special Expert Group in Europol, which in 2002 has been engaged in putting together assessments of the terrorist threat, has been incorporated into the police office's permanent anti-terrorist unit.

Protection of public persons and supervision of private security firms are among the matters discussed in the Council during the year. The Council has agreed that EU countries jointly are to be able to draw on the help of police and customs officers who are stationed in countries outside the EU.

To help in the fight against terrorism, each country is to designate a contact person in its police system and its network of prosecutors. These authorities are to be able to participate in criminal investigations being conducted jointly by several countries.

## Expansion of the Schengen Cooperation

**Schengen** began as a convention that dismantled internal border controls between a small group of EU countries, but now covers almost all Member States and is part of the EU Treaty. Sweden became a member in March 2001.

Great Britain and Ireland are the only EU countries who are not part of the Schengen area (internal border controls were abolished, but external controls were strengthened) but during the year, it became clear that both countries will join the Schengen Information System, probably beginning in 2004. By doing so, they will gain access to the common database with information on wanted persons and objects, which is used by customs and police officers.

In December 2002 justice ministers agreed that Europol (the police office) and Eurojust (the prosecutors' office) are also to have access to this database. The details will be negotiated in 2003.

In 2002 Ireland made clear its intention to join parts of the Schengen arrangements.

## European Border Control

At the Seville European Council in June 2002, Heads of State or Government stated that European cooperation on external border control was to be strengthened. An action plan with this objective is to be implemented beginning in 2002 and running to June 2003 and the summit meeting in Thessaloniki.

According to the action plan, models for common risk analysis and training for border control personnel are to be established and joint operations and other actions for developing cooperation on border control are to be implemented.

Sweden is participating in several projects and, together with Austria, leads the training project.

## Asylum and Immigration

The EU aims to have a common strategy for asylum and immigration matters. One part of this strategy has been to draw up action plans directed at countries that serve as countries of origin or transit. The plans contain measures that concern foreign policy, development work and immigration policy. Such action plans have been prepared for six countries: Afghanistan, Albania together with Kosovo, Iraq, Morocco, Somalia and Sri Lanka.

In June 2002 the European Council decided that the asylum and immigration strategy should be more clearly integrated into the foreign policy of the EU. Discussions took place during the year on how this is to be accomplished.

## Reception of Asylum Seekers

The EU countries have agreed minimum standards for the reception of asylum seekers to guarantee them a dignified existence. Someone waiting to have an application for asylum examined is to have such rights as housing, health care and schooling for children. In the long term the regulations may mean that it will not be tempting for asylum seekers to look around for the EU country offering the best living conditions.

At the same time, the EU countries concluded negotiations on the regulation that is to replace the Dublin Convention on asylum. The Convention contains the principle that asylum is to be sought in the first country that the refugee reaches. The regulation strengthens the position of children and family members have the right to have their applications for asylum examined in the same EU country.

## Others in Need of Protection

The EU Commission has proposed regulations on how persons other than those who have been politically persecuted may seek protection in an EU country. These regulations apply to persons who risk the death penalty, torture or other degrading treatment, or have been exposed to danger in the face of armed conflict.

Sweden has proposed that persons persecuted on the basis of sexual orientation should also be given protection.

## Illegal Immigration

In February 2002 the Council of Ministers adopted an action plan to combat illegal immigration and trafficking in human beings. This plan includes matters such as visa policy, the exchange of information, pre-emptive measures and border control.

There is also a discussion underway on cooperation among EU countries on sending back people who do not have the right to stay. The Council has given the Commission the task of negotiating readmission agreements with Albania, Algeria, China, Sri Lanka, Turkey, Morocco, Pakistan, Russia and the Ukraine. Negotiations with Macau and Hong Kong have been concluded.

## External Relations

The EU Common Foreign and Security Policy (CFSP) is an international cooperation in which decisions in principle are made with unanimity. Member States undertake to show loyalty to the positions agreed and not to oppose them.

The objectives of the CFSP include safeguarding the Union's values and interests; strengthening the security of the Union; preserving peace and strengthening international security, in accordance with the principles of the United Nations Charter; and promoting international cooperation.

## Crisis Management

For the past two years, work has been underway on developing the European Security and Defence Policy (ESDP). This policy has as its objective building up a European crisis management capacity, that is, being able to carry out humanitarian tasks, rescue operations and peacekeeping and peace-making missions.

In 2002 plans were implemented to enable the EU to



begin its first civil crisis management operation in January 2003. The European Union Police Mission (EUPM) took over from a UN led task force the work of helping Bosnia and Herzegovina develop police services.

An agreement on permanent arrangements for cooperation between the EU and NATO was reached at the Copenhagen European Council in December 2002. On that occasion the EU declared itself prepared to assume NATO's military operations in the former Yugoslav Republic of Macedonia in 2003.

The EU has set the goal that by 2003 the Union should be able to deploy a Rapid Reaction Facility (50, 000 to 60,000 troops within 60 days) for crisis management tasks. Work on the civilian and military capability goals that have to be achieved to do this continued during the year. In November 2002 the EU ministers were able to confirm that the civilian capability goals in priority areas had been achieved. An action plan to strengthen civilian-military coordination was adopted during the year.

## Conflict Prevention

In August 2002 Stockholm hosted the Regional EU Conference on Conflict Prevention, "Partners in Prevention" in Helsingborg. There representatives of the EU and other European organisations and the United Nations had the opportunity to discuss challenges and the possibilities of cooperating in the area of conflict prevention.

## Human Rights

The promotion of democracy and human rights already constitutes an important part of the agreements that the EU concludes with the rest of the world. In accordance with a decision in the Council of Ministers, these matters are to be raised in all policy areas from now on.

The EU has kept a high profile during the year and raised these issues in such forums as the UN Commission on Human Rights and the UN General Assembly. The EU has issued about 60 demarches against the death penalty in countries that still apply it.

The United Nations Special Session on Children in May 2002 yielded good results and the EU played a very active role.

In October 2002 EU foreign ministers decided to begin a political dialogue with Iran on human rights.

## Terrorism

The EU has implemented UN resolutions to combat terrorism in several ways (among them in a regulation and in a common position).

One UN resolution requires that persons or groups taking part in or contributing to terrorism are to have their assets frozen. The EU has decided in its regulation that this will apply to persons or groups who either have been convicted of terrorism or are suspected and are the subject of a criminal investigation or other judicial measure. There must be grave suspicions or strong circumstantial evidence.

The EU has established a list of those covered by the regulations. This list is updated every six months. On the list are Usama bin Laden, Al Qaida, the Taliban and everyone who has collaborated with these persons or groups.

The ministers have given the EU Commission the task of updating the EU list of those to whom the sanctions apply every time that the UN updates its sanctions list. It is possible for national authorities to give notice of exemptions from the sanctions.

## Arms Exports

In the fourth annual report on EU countries' performance in following the European Code of Conduct on Arm Exports, it is clear that several countries are establishing control of trade intermediaries in arm exports largely modelled on Sweden's system.

There is more transparency in arms exports than there was previously as information on arm sales by Member States has increased substantially.

## Travel Advisories

The EU countries have agreed to inform each other promptly when they have decided to warn their citizens against travelling to a certain country or to urge them to leave an area. Thus other countries can gain extra time to decide whether or not they too consider it appropriate to warn people against staying in countries where unrest has broken out.

## The Northern Dimension

The Member States of the EU and partners around the Baltic Sea cooperate in what has become known as the EU's Northern Dimension. The countries concerned are the Nordic countries, the Baltic States, Germany, Poland and Russia.

The action plan for the Nordic Dimension is to be renewed. Proposals in the guidelines for the next three-year plan include natural resources, the environment and illegal immigration in addition to economic cooperation. The Commission plays a leading role in the work and issues annual progress reports.

In the summer of 2002, a Pledging Conference was held in Brussels to launch the Northern Dimension Environmental Partnership (NDEP). Funding promised came to €100 million, of which €62 million are earmarked for nuclear projects. Sweden promised to contribute €10 million.

The Council of the Baltic Sea States (CBSS) (for countries bordering the Baltic Sea), which has been in existence since 1992, participates in the Northern Dimension. Another organisation in the region, the Barents Euro-Arctic Council (BEAC), was founded in 1993. Sweden is chairing the Council from March 2001 to March 2003. As Chair, Sweden is focusing on the Barents region for its investment possibilities and as a tourist destination.

Northern Dimensions has also opened an “Arctic window” for the Arctic Council, which is composed of the five Nordic countries, the United States, Canada and Russia. The cooperation with the Council recently initiated by the EU is interested in Arctic research.

## The Western Balkans

EU aid efforts in the Western Balkans take place through the CARDS programme, which has a budget of €4.65 billion for the years 2001 to 2006. During 2002, efforts have gradually been shifted from major infrastructure projects to economic reforms, the establishment of the rule of law and institution building.

## The Federal Republic of Yugoslavia

A referendum in the Federal Republic of Yugoslavia (FRY, now called Serbia and Montenegro) on independence for Montenegro was avoided at the last minute after the active intervention of the EU High Representative Javier Solana. Instead, an agreement on a new and looser union between the two republics was concluded in March 2002. The agreement is for three years, after which Montenegro will have the opportunity to call a referendum on independence. Javier Solana also helped the two republics to reach an agreement on a new constitution in December 2002.

## Kosovo/FYR

The security situation in Kosovo/FYR has been gradually improving and the Kosovo Force (KFOR) changed its mandate from defending Kosovo against attack to protecting minorities. Therefore KFOR was able to reduce its forces to about 29, 000 towards the end of the year. Of these, 730 are Swedes.

As the security situation improves, the EU's role is strengthening and during the year, work on economic reconstruction has made progress.

## The Former Yugoslav Republic of Macedonia

The situation of the Albanian population in the former Yugoslav Republic of Macedonia has improved during the year and the parliamentary elections on September 15 were peaceful.

At the Barcelona European Council in March, the European Council stated its intention in principle to assume NATO's military presence in the former Yugoslav Republic of Macedonia. The EU will begin its first crisis management operation there in spring 2003.

## New Neighbours

With the enlargement of the EU in May 2004 to include a number of new Member States, the EU will have new neighbours. There is a proposal to give these new neighbours (the Ukraine, Moldavia and Belarus) a framework for closer cooperation. This is called the New Neighbour Initiative.

The situation in Belarus is a matter of concern and human rights are being violated in several ways. The Belarus leadership expelled an observation group from the Organisation for Security and Co-operation in Europe (OSCE). EU foreign ministers responded by introducing travel restrictions on top leaders in Belarus, including the president.

## Russia

In 2002 the EU and Russia were able to conclude an agreement solving the problem of the Russian enclave Kaliningrad, which will be entirely surrounded by EU territory after Poland and the Baltic States join the EU. The agreement makes it possible for Russians to travel to and from Kaliningrad without difficulty after the enlargement.

**The Organisation for Security and Cooperation in Europe (OSCE)** has 55 participating States, including European countries and the US and Canada.

## Central Asia

The EU has entered into Partnership and Co-operation Agreements with Kazakhstan, Kyrgyzstan, Turkmenistan and Uzbekistan, but not with Tajikistan, where the security situation has put obstacles in the way.

After the events of September 11, 2001, the EU has decided to double its assistance to the region from an annual budget of €25 million to €50 million at the same time that the political dialogue is to be deepened.

## The Middle East

The conflict in the Middle East intensified in 2002. Through Javier Solana, the High Representative, and Miguel Angel Moratinos, the Special Representative to the Middle East Peace Process, the EU has actively tried to get the Israeli government and the Palestinian Authority to stop the violence that has claimed so many civilian lives.

During the year, the EU, as a member of the Quartet together with the United States, Russia and the United Nations, has drawn up a Road Map for ending the conflict.

The goal is to establish an independent Palestinian state in 2005.

The EU decided in 2002 to increase support for the Palestinian Authority, which was on the brink of economic collapse.

## Zimbabwe

The EU introduced sanctions against Zimbabwe because of the continuing political violence and the serious breaches of human rights. Pierre Schori, who had been appointed to lead EU election observers, was expelled from the country before the election, after which the EU withdrew its observers.

## Asia

During 2002 the fourth Asia-Europe Meeting (ASEM) was held in Copenhagen. There the EU and ten countries from East and Southeast Asia agreed to cooperate to fight terrorism.

With €200 million promised for 2002, the EU has become one of the largest donors to Afghanistan. The money goes to refugee assistance, mine clearing operations, infrastructure projects and other needs. The EU maintains an ongoing political dialogue with Afghan leaders and other actors in the area through Francesc Vendrell, its Special Representative to Afghanistan.

The EU also decided to continue sanctions against the military regime in Burma as the country's leadership has not begun a dialogue with the opposition and has not freed all political prisoners.

## North and South Korea

With the contacts that took place during the year, there seemed to be indications of an increased willingness on North Korea's part for a dialogue, for example with respect to terms under which aid workers operate in the country. But in the fall there were reports of a secret North Korean programme to enrich uranium for the production of nuclear weapons. North Korea broke off cooperation with the IAEA. The EU strongly urged North Korea to dismantle the enrichment programme and comply with its non-proliferation commitments.

**The International Atomic Energy Agency (IAEA)** is an intergovernmental agency for cooperation on nuclear energy issues.

The first summit meeting between South Korea and the EU took place in Copenhagen in September 2002, where discussions included trade policy. In the fall the EU took a dispute on unfair South Korean state aid to shipbuilding to the World Trade Organisation (WTO).

## United States

The first summit meeting between the EU and the United States since the events of September 11, 2001 were held in Washington in May. Among the matters that the partners discussed during the year was the establishment of the International Criminal Court (ICC). The United States has sought agreements to exempt American citizens from being brought before the Court. The EU has not accepted the agreements proposed by the Americans.

The EU and the United States also began negotiations on judicial cooperation to fight transnational crimes. Towards the end of the year, a few issues remained unsolved such as the EU requirement for a guarantee that anyone extradited to the United States will not be given the death penalty.

## Latin America

In April 2002 the EU and Chile signed an Association Agreement that covers trade, economic cooperation and political dialogue. Full market access and non-discrimination are guaranteed in several sectors important to Sweden. As well, custom duties on the majority of exports and imports of industrial goods have been abolished.

The EU's negotiations with Mercosur (Argentina, Brazil, Paraguay and Uruguay) on a similar agreement gained momentum during the year.

## Trade Policy

A new round of negotiations in the World Trade Organisation (WTO) was launched under the mandate adopted at the Ministerial Conference in Doha in November 2001. All negotiations are to be completed by January 2005. Formulas and other modalities for countries' commitments on agriculture are to be decided before the end of March 2003 and the initial offers on liberalisation of trade in services are to be presented at the same time. The framework for negotiations on industrial goods and fish products is to be worked out no later than May 31, 2003.

Sweden has worked actively in 2002 to have the development dimension -- that is, developing countries' interests and special problems -- taken into consideration in all parts of the WTO negotiations. Sweden has attached great importance to developing countries' priority areas: agriculture and the phase-out of quotas on textiles and clothing.

Sweden has also worked to try to have the Doha Round succeed in phasing out trade barriers and instituting more transparent, more equitable and legitimate global terms of trade and investment.

Sweden doubled its contribution to the Global Trust Fund for WTO Technical Cooperation and thus became the largest donor to the WTO's assistance efforts. Sweden also increased its contribution to other donors.

## New Agreements

During the year the EU concluded Association Agreements with Algeria and Lebanon, two of the several partner countries in the free trade area around the Mediterranean. In April Sweden ratified the previous year's agreement with Egypt. Agreements with Morocco, Tunisia, Israel, Jordan and the Palestinian Authority have already entered into force.

Negotiations on Economic Partnership Agreements with the African, Caribbean and Pacific Group of States (ACP) began in 2002.

**The World Trade Organisation (WTO)** works to settle trade disputes between countries that are WTO members.

## Developing Countries' Ombudsman

Sweden proposed establishing an EU ombudsman for exporting developing countries to help exporters and importers in their contacts with the authorities when they have grievances.

## Development Assistance

Member States' total development aid should be able to increase by

SEK 200 billion between 2002 and 2006 after EU countries undertook to try to achieve a target of 0.39 per cent of GDP by 2006. The Commission is to monitor the progress. The EU decision led the United States to promise to increase its aid (by USD 50 billion a year up to 2006) when the world community met in Monterrey in March.

## Catastrophe Assistance

With a budget of €538 million, the European Commission's Humanitarian Aid Office, ECHO, is one of the world's main donors of humanitarian aid. Its aid in 2002 has focused on forgotten crises. Work to improve coordination of EU and United Nations catastrophe assistance has continued.



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