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THE EUROPEAN UNION**



6705/1/06 REV 1 (en) (Presse 55)

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2714th Council Meeting

Employment, Social Policy, Health and Consumer Affairs

Brussels, 10 March 2006

President

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Federal Minister for Social Security, Generations and
Consumer Protection and
Mr Martin BARTENSTEIN, Federal Minister for
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Main Results of the Council

The (EPSCO) Council adopted its contribution to the **Spring European Council**.

The Council adopted a common position with a view to the adoption of a Directive (recast version) on implementation of the principle of **equal treatment of men and women** in employment and occupation matters.

The Council adopted a Regulation amending Regulation No 1408/71 on the application of **social security** schemes to employed persons, self-employed persons and members of their families moving within the Community and Regulation No 574/72 on the procedure for implementing Regulation No 1408/71 (miscellaneous amendments 2004).

The Council reached a general approach on a draft regulation amending Regulation (EEC) No 1408/71 on the application of **social security** schemes to employed persons and their families moving within the Community (miscellaneous amendments 2005).

The Council adopted a common position with a view to the adoption of a regulation on **medicinal products for paediatric use** and amending Regulations 1768/92 and 726/2004 and Directive 2001/83/EC.

The Council adopted a Directive extending by nine months, until end of January 2007, the deadline by which member states must transpose Directive 2004/39/EC on **markets in financial instruments** into national law.

CONTENTS¹

PARTICIPANTS.....	5
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ITEMS DEBATED

PREPARATION OF THE SPRING EUROPEAN COUNCIL	7
– Key messages	7
– Joint reports on employment and on social protection and social inclusion.....	11
– Joint Social Protection Committee and Economic Policy Committee opinion.....	13
– the Commission's 2006 annual progress report on the National Reform Programmes	13
– the Commission's 2006 report on equality between women and men.....	14
PREPARATION OF THE TRIPARTITE SOCIAL SUMMIT	15
WORK PROGRAMMES OF THE EMPLOYMENT AND SOCIAL PROTECTION COMMITTEES FOR 2006	16
COORDINATION OF SOCIAL SECURITY SYSTEMS	17
TRANSITIONAL ARRANGEMENTS SET OUT IN THE 2003 ACCESSION TREATY	18
Other business.....	19

OTHER ITEMS APPROVED*SOCIAL POLICY*

– Equal opportunities for men and women*	20
– Social security schemes	20

HEALTH

– Medicinal products for paediatric use*	21
--	----

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- Where declarations, conclusions or resolutions have been formally adopted by the Council, this is indicated in the heading for the item concerned and the text is placed between quotation marks.
- The documents whose references are given in the text are available on the Council's Internet site <http://ue.eu.int>.
- Acts adopted with statements for the Council minutes which may be released to the public are indicated by an asterisk; these statements are available on the abovementioned Council Internet site or may be obtained from the Press Office.

EXTERNAL RELATIONS

- Support for the International Criminal Tribunal for the former Yugoslavia - Restrictive measures.....22
- International Criminal Tribunal for the former Yugoslavia - Freezing of funds22

ECONOMIC AND FINANCIAL AFFAIRS

- Markets in financial instruments - Extension of deadlines*23

PARTICIPANTS

The Governments of the Member States and the European Commission were represented as follows:

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Czech Republic:

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Department of the Deputy Minister for the European
Union and International Relations

Denmark:

Mr Claus Hjort FREDERIKSEN

Minister for Employment

Germany:

Ms Gerd ANDRES

Parliamentary State Secretary to the Federal Minister for
Economic Affairs and Labour

Estonia:

Mr Jaak AAB

Minister for Social Affairs

Greece:

Mr Savvas TSITOURIDIS

Minister for Employment and Social Protection

Spain:

Mr Jesús CALDERA SÁNCHEZ-CAPITÁN

Minister for Labour and Social Affairs

France:

Mr Gérard LARCHER

Minister with responsibility for Employment, Labour and
the Integration of Young People into Employment

Ireland:

Mr Seamus BRENNAN

Mr Tony KILLEEN

Minister for Social and Family Affairs
Minister of State at the Department of Enterprise, Trade
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Deputy Permanent Representative

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Minister for Labour and Social Solidarity

Slovenia:

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Minister for Labour, the Family and Social Affairs

Slovakia:

Mr Miroslav BEBLAVÝ

State Secretary at the Ministry of Labour, Social Affairs
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Ms Tuula HAATAINEN

Minister for Labour

Minister for Social Affairs and Health

Sweden:

Mr Hans KARLSSON

Minister at the Ministry of Industry, Employment and
Communications, with responsibility for Working Life**United Kingdom:**

Mr James PLASKITT

Parliamentary Under-Secretary of State, Department of
Work and Pensions**Commission:**

Mr Vladimir ŠPIDLA

Member

Other participants:

Mr Tom MULHERIN

Mr Maarten CAMPS

Chairman of the European Social Protection Committee
Chairman of the Employment Committee

The Governments of the Acceding States were represented as follows:

Bulgaria:

Ms Emilia MASLAROVA

Minister for Labour and Social Policy

Romania:

Mr Gheorghe BARBU

Minister for Labour, Social Solidarity and Family

ITEMS DEBATED

PREPARATION OF THE SPRING EUROPEAN COUNCIL

– *Key messages*

The Council held a wide-ranging policy debate with a view to defining its contribution (*key messages*) to the Spring European Council in the fields of employment, social policy and equal opportunities. The discussion was based on the following documents:

- the Commission's 2006 annual progress report on the national reform programmes: "*Time to move up a gear*" (5745/06);
- a draft joint Commission and Council employment report;
- a draft Joint Commission and Council report on social protection and social inclusion;
- a joint Social Protection Committee and Economic Policy Committee opinion on the communication from the Commission "Working together, working better: a new framework for the open coordination of social protection and inclusion policies in the European Union";
- the Commission's 2006 report on equality between women and men (5888/06).

The debate covered the following issues (6803/1/06):

- the Commission's assessment of implementation lags in certain employment policy areas;
- the role of the social partners in strengthening the Lisbon process;
- progress since the review of the Lisbon strategy, from the point of view of social protection and social inclusion; additional efforts needed in this context.

At the end of the debate, the Council adopted the following *key messages* to be reflected in the Spring European Council conclusions:

"The EPSCO Council submits the following key messages to the Spring European Council:

General conclusions

1. The renewed Lisbon strategy provides the framework for a European growth and jobs strategy where economic, employment and social policy mutually reinforce one another. The integrated strategy should **ensure that the EU makes parallel progress on employment creation, competitiveness, and social cohesion in compliance with European values**. For the European social model to be sustainable, Europe needs to step up its efforts to create more economic growth, a higher level of employment and productivity while strengthening social inclusion and social protection.
2. The Commission's Annual Progress Report shows that it is **essential to move up a gear in implementing the Lisbon Strategy**. Member States should be more ambitious in reaching the objectives of the European Employment Strategy: full employment, productivity and quality at work, and social and territorial cohesion. **Governance and social partnership are crucial** to implement effectively the employment and social policies.

Time to move up a gear in implementing the European Employment Strategy

3. **All actors should put their energies into effective implementation now**. More ambitious policies should result in an important increase in economic growth and in lifting the employment rate **well** above the current 63.3% towards the 70% employment rate target by 2010. With the reforms carried out by the Member States starting to bear fruit and by taking advantage of Europe's improved economic prospects, the European economy has the potential to make a substantial step forward in creating **more and better jobs**.
4. **The European Employment Strategy and the three priorities for action are key to closing the delivery gaps in improving Europe's employment performance:**
 - Attract and retain more people in employment, increase labour supply and modernise social protection systems
 - Improve adaptability of workers and enterprises
 - Increase investment in human capital through better education and skills
5. In order to better focus further implementation of the Lisbon strategy, the Member States should take account of the following strategic policy messages:

- 5.1. Against the background of demographic change, **policies should include a life-cycle approach to work**, facilitating swift employment transitions throughout working life and also leading to an increase in the total number of hours worked in the economy.
- 5.2. Within this life-cycle approach, Member States are encouraged to pursue the shift towards active and preventative policies. It is crucial that these active policies operate in better synergy with social **protection** instruments to **encourage and help people to find paid employment**. Both incentives and sanctions should continue to play an important role. **A continued focus is needed on labour supply and target groups** such as:
- **The young:** it is urgent to improve the situation of young people on the labour market and to significantly reduce youth unemployment, also in line with the Youth Pact;
 - **Women:** the proposed Pact for Gender Equality highlights that it is vital to enhance women's participation in the labour market and to promote equality between women and men;
 - **Older workers:** active ageing strategies should be further implemented;
 - **People with disabilities:** whose employment opportunities should be enhanced
 - **Immigrants and minorities:** comprehensive action with respect to anti-discrimination and labour market integration is necessary.
- 5.3. To address globalisation and to facilitate the transition to a knowledge based economy, the **measures for those with low skills and low pay, in particular those on the margins of the labour market, need more focus** to make a difference with respect to more and better jobs. Both demand and supply measures are crucial, including making work pay.
- 5.4. **Human capital development is crucial.** To achieve a breakthrough, more attention should be given to the provision of the right (financial) incentives for education and lifelong learning and to improving the efficiency of investment in human capital. EU funding should strongly support these enhanced efforts.

- 5.5. Comprehensive policy strategies to improve the adaptability of workers and enterprises, including labour mobility, have not yet been systematically developed in the National Reform Programmes. **Member States should address flexibility combined with employment security, and avoid labour market segmentation, in order to meet the needs of companies and workers.** In this context, the Commission, jointly with Member States and social partners, will explore the development of a set of common principles on flexicurity. These principles could be a useful reference in achieving more open and responsive labour markets and more attractive and productive workplaces.

Next steps in the European Employment Strategy

6. As it is time now for implementation, **the Integrated Guidelines including the agreed benchmarks and targets should remain unchanged.** All actors, including the social partners, should fully assume their responsibilities with respect to the Lisbon strategy. In this context, broader ownership and the active participation of social partners are key.
7. In accordance with these key messages, the policy areas outlined under Action 3 (*Responding to globalisation and ageing*) in the Annual Progress Report are crucial to step up labour market performance. However, the specific measures proposed should be the subject of further discussion.
8. In 2007, the assessment of the Member States' labour market performance will provide a sound basis for maintaining the momentum for reform and may lead, if necessary, to country specific **recommendations.** To that effect, bilateral contacts between the Commission and the Member States will be beneficial, thus improving governance of the strategy.

The Lisbon strategy and the OMC of social protection and inclusion policies

9. In the face of the emerging challenges, modernising social protection systems remains essential in order to implement social justice for women and men and promote the active participation of all in society. To achieve this objective, the Member States should take account of the following strategic policy messages:
- 9.1. The challenge of ensuring that the Open Method of Co-ordination and the revised Lisbon process are mutually reinforcing is vital in light of the **contribution that well designed social protection policies can bring to the objectives of growth and jobs.** Recognition of the fact that **social objectives are a crucial component of the Lisbon strategy** and that the goals of growth and jobs serve the purpose of strengthening social cohesion is essential for the full mobilisation of that partnership for reform that remains an essential ingredient of success. The agreed Common Objectives of the streamlined OMC will provide a basis for the Member States to respond to these challenges.

- 9.2. The streamlined OMC will encourage the Member States **to think in more strategic terms when identifying and addressing the challenges to their social protection systems**, and will be thus more effective in fostering better policy-making. It will also allow Member States and European citizens as well to see more clearly that modernising social protection and promoting social inclusion are priorities at EU level. It will thus facilitate the integration into national reform programmes of policies aimed at enhancing social cohesion, thereby improving the coherence of the reform programmes while at the same time strengthening the consensus that will underpin their implementation.
- 9.3. Strengthening social cohesion is a fundamental objective of the Union and growth and employment are a means towards the end of more social cohesion. **Making a decisive impact on the eradication of poverty, including child poverty**, and social exclusion by the year 2010 remains a central priority of the Lisbon strategy. The 2006 Joint Report on social protection and social inclusion provides further guidance on how to achieve this.
- 9.4 In line with the overall thrust of Lisbon, Member States should focus the streamlined OMC on the **delivery** of objectives. Together with the Commission, Member States should particularly emphasise monitoring and policy evaluation provisions. The Member States are encouraged to **give a high profile in their reform programmes to the contribution that the OMC in social protection and social inclusion can bring to the implementation of the Lisbon strategy**.
- 9.5 The Member States should take further steps to **respond to the challenges of globalisation and demographic change**, in light also of the latest projections on the impact on public spending of ageing populations, including through addressing the related challenges in the fields of pensions, health and long-term care and pursuing a better balance between work and family life."

– *Joint reports on employment and on social protection and social inclusion*

The Council adopted:

- the 2006 joint Commission and Council report on employment (6759/06);
- the 2006 joint Commission and Council report on social protection and social inclusion (6800/06).

The two reports, which will be submitted to the Spring European Council, take stock of progress made and of that still to be made on the achievement of the objectives of the Lisbon strategy for growth and jobs.

The Joint Employment Report is intended to sustain the European Council's conclusions, on which the employment part of the 2006 guidelines will be based¹. It assesses the employment policy part of the National Reform Programmes, addressing the following issues:

- Achieving the objectives;
- Implementing the priorities for action:
 - Attracting and retaining more people in employment, increasing labour supply and modernising social protection systems;
 - Improving the adaptability of workers and enterprises;
 - Increasing investment in human capital through better education and skills.

¹ Under the heading "Employment", Article 125 of the Treaty provides that the Member States and the Community are to work towards developing a coordinated strategy for employment, the objectives of which it defines. The Joint Employment Report, the recommendations to the Member States and the annual Employment Guidelines are all components of the European Employment Strategy (EES) launched by the European Council meeting in Luxembourg in November 1997. The annual EES procedure is defined in Article 128 of the Treaty: on the basis of a *joint annual report by the Council and the Commission*, the European Council shall each year consider the employment situation in the Community and adopt conclusions thereon. On the basis of those conclusions, the Council shall each year draw up *guidelines* which the Member States shall take into account in their employment policies. The Member States shall provide the Council and the Commission with *annual national reform programmes* on the principal measures taken in the light of those guidelines. On the basis of those programmes, the Council shall each year carry out an examination of the implementation of the employment policies of the Member States, and it may make *recommendations* to Member States. In addition, on the basis of the results of that examination, the Council and the Commission shall make a *joint annual report* to the European Council on the employment situation in the Community. Since 1997 the EES has been reinforced by initiatives taken at spring European Council meetings. At present, within the framework of a three-year cycle, the EES has three general objectives: full employment, quality and productivity at work, cohesion and an inclusive labour market.

The Joint Report on Social Protection and Social Inclusion is based on reports submitted to the Commission by Member States under the "open method of coordination" (OMC) and covers social inclusion, pensions, and health and long-term care. It addresses the following topics:

- Overarching issues facing social protection and social inclusion policies;
- Key challenges in the different strands of work under the OMC.

– ***Joint Social Protection Committee and Economic Policy Committee opinion***

The Council endorsed the joint Social Protection Committee and Economic Policy Committee opinion on the Communication from the Commission "*Working together, working better: a new framework for the open coordination of social protection and inclusion policies in the European Union*" (6801/06).

The opinion sets out new objectives and working methods (a new streamlined framework) for open coordination in the areas of social inclusion, pensions, and health and long-term care as a contribution to underpinning the social dimension of the Lisbon strategy.

In addition, the Council took note of:

– ***the Commission's 2006 annual progress report on the National Reform Programmes***

Part I of the report, "*The new partnership for growth and jobs*", evaluates the process of drawing up national reform programmes and highlights a number of key initiatives for agreement at the European Council, including the identification of four policy areas for special attention during 2006 and 2007: investing in knowledge and innovation; market access and competition, especially for small and medium-sized enterprises; more and better jobs in the context of globalisation and demographic change; energy (5745/06).

Part II, "*Country chapters*", is a detailed assessment of the National Reform Programmes, pointing out their strengths as well as areas where they need review and updating by Member States.

The Commission's progress report on the National Reform Programmes is intended to be a contribution to the conclusions of the Spring European Council.

– *the Commission's 2006 report on equality between women and men*¹

The report surveys gender equality developments in the EU during 2005 (5888/06). It also outlines four major challenges and policy priorities for the future:

- exploiting the potential contribution of gender equality policy to the Lisbon strategy for growth and employment;
- promoting efficient reconciliation of work and family life;
- supporting equality between women and men with effective institutional mechanisms;
- reflecting gender equality in the EU's external relations.

The report calls on the European Council to urge Member States to take stock of progress in their equality policies and to reaffirm their commitment to mainstreaming the gender dimension in all policy areas, in conjunction with the social partners and civil society.

¹ Submitted by the Commission as requested by the European Council in March 2003 (*see 8410/03, paragraph 47*).

PREPARATION OF THE TRIPARTITE SOCIAL SUMMIT

As part of the preparation of the Spring European Council, the Council also held an exchange of views concerning the preparation of the Tripartite Social Summit for growth and employment to be held in Brussels on 23 March, prior to the Spring European Council.

The main topic on the agenda at this year's meeting is the implementation of the re-launched Lisbon Strategy for growth and jobs. A series of priorities for action proposed in the Commission's annual progress report: "*Time to move up a gear*" will require an active contribution from the social partners.

The task of the Tripartite Social Summit for growth and employment, which was established by Decision 2003/174/EC¹, is to ensure that there is a continuous social dialogue between the Council, the Commission and the social partners at the highest level.

The troika (the current and two subsequent presidencies) of the Heads of State or Government and of Ministers for Employment, the President of the Commission, the Commissioner responsible for social affairs and delegations of the social partners meet before each Spring European Council to examine the components of the re-launched Lisbon strategy for growth and jobs.

¹ OJ L 70, 14.3.2003, p. 31.

**WORK PROGRAMMES OF THE EMPLOYMENT AND SOCIAL PROTECTION
COMMITTEES FOR 2006**

The Council was informed by the Chairmen of the Employment Committee and of the Social Protection Committee of the committees' work programmes for 2006.

COORDINATION OF SOCIAL SECURITY SYSTEMS

Pending the European Parliament's opinion, the Council reached a general approach on a draft Regulation amending Regulation (EEC) No 1408/71¹ on the application of social security schemes to employed persons and their families moving within the Community (miscellaneous amendments 2005) (6310/06).

The draft Regulation is intended to update Regulation (EEC) No 1408/71 and its annexes to reflect changes in the legal situation at national level, thus ensuring proper Community coordination of national social security schemes.

Proposed legal basis: Articles 42 and 308 of the Treaty – the Council is required to act unanimously, the co-decision procedure with the European Parliament is applicable.

¹ Council Regulation (EEC) No 1408/71 on the application of social security schemes to employed persons, to self-employed persons and to members of their families moving within the Community (OJ L 149, 05/07/1971, p. 2), as last amended by Regulation (EC) No 647/2005 (OJ L 117, 04/05/2005, p. 1).

TRANSITIONAL ARRANGEMENTS SET OUT IN THE 2003 ACCESSION TREATY

The Council was briefed by the Commission on its report on the functioning of the transitional arrangements set out in the 2003 Accession Treaty (period 1 May 2004 – 30 April 2006) (6377/06).

In accordance with the transitional arrangements on freedom of movement for persons annexed to the Treaty of Accession of 2003, application of part of Community law on the free movement of workers within the enlarged EU may be deferred for a maximum period of 7 years. These transitional arrangements apply to all the new Member States, with the exception of Malta and Cyprus.

The transitional period is divided into three phases. The first phase started on 1 May 2004 and will end on 30 April 2006. Before the end of this phase, the Council must review the functioning of the transitional arrangements on the basis of a Commission report.

No later than at the end of the two-year period following the date of accession, the EU-15 Member States must notify the Commission of their intentions with regard to the second phase of the transitional arrangements. In the absence of notification, Community law on the free movement of workers will apply from 1 May 2006.

In its report, the Commission calls on Member States to carefully consider whether a continuation of the restrictions is needed.

Today, a number of Member States informed the Council of their intention to apply the free movement of workers from 1 May 2006.

Other business

The Council was briefed by the Commission on:

- a Commission communication on its "*Roadmap*" for gender equality (7034/06);
- a proposal for a Regulation establishing a European globalisation fund.

The Council was briefed by the presidency on the outcome of the following conferences:

- "Joint action of Member States against harmful traditional practices" – Brussels, 25 January 2006 (5675/06);
- "Demographic Challenges – Family needs partnership" – Vienna, 2-4 February 2006 (5676/06);
- "Innovation in labour market policy – New challenges in the age of globalisation" – Vienna, 16-17 February 2006 (6993/06).

OTHER ITEMS APPROVED

SOCIAL POLICY

Equal opportunities for men and women*

The Council adopted a common position with a view to the adoption of a directive (recast version) on implementation of the principle of equal treatment of men and women in employment and occupation matters (15623/05, 6602/06 ADD1).

The objective of the Directive, which incorporates seven existing directives relating to equal opportunities and equal treatment into a single instrument, is to create more readable and accessible legislation, reduce uncertainty by incorporating relevant Court of Justice case law and to increase clarity.

The draft directive merges the following existing directives into one single instrument:

- Directive 75/117/EEC on equal pay;
- Directive 86/378/EEC, as amended by Directive 96/97/EC, on equal treatment in occupational social security schemes;
- Directive 76/207/EEC, as amended by Directive 2002/73/EC, on equal treatment of men and women, and
- Directive 97/80/EC, as amended by Directive 98/52/EC, on the burden of proof in cases of discrimination based on sex.

The Council's common position will be sent to the European Parliament for a second reading under the co-decision procedure.

Social security schemes

The Council adopted a regulation amending Regulation No 1408/71 on the application of social security schemes to employed persons, self-employed persons and members of their families moving within the Community and Regulation No 574/72 on the procedure for implementing Regulation No 1408/71 (miscellaneous amendments 2004) (PE-CONS 3664/05).

The objective of the regulation is to update these Community Regulations to reflect changes in national legislation, in particular in the new Member States since the end of their accession negotiations. It is also intended to complete the simplification of procedures on receiving medical care abroad introduced by Regulation No 631/2004 by extending simplified procedures to the provisions on benefits in respect of accidents at work and occupational diseases contained in Regulations Nos 1408/71 and 574/72.

HEALTH

Medicinal products for paediatric use*

The Council adopted by qualified majority a common position with a view to the adoption of a Regulation on medicinal products for paediatric use and amending Regulations 1768/92 and 726/2004 and Directive 2001/83/EC (*15763/05, 6603/06 ADD1*).

The Polish delegation voted against.

The regulation is aimed at facilitating the development and accessibility of medicinal products for use for children, to ensure that they are subject to high quality research and are duly authorised for use in children, while improving available information. These objectives should be achieved without subjecting children to unnecessary clinical trials.

The regulation establishes a system of obligations, rewards and incentives. The main obligation is that a paediatric investigation plan must be submitted as part of the procedure for obtaining market authorisation, while incentives are provided through the extension of exclusive rights and the introduction of a new type of market authorisation for generic medicines, the "paediatric use marketing authorisation".

It also establishes a paediatric committee, within the European Medicines Agency, independent from the pharmaceutical industry, primarily responsible for scientific assessment and approval of paediatric investigation plans and for the system of waivers and deferrals thereof.

The Council's common position will be sent to the European Parliament for a second reading under the co-decision procedure.

EXTERNAL RELATIONS

Support for the International Criminal Tribunal for the former Yugoslavia - Restrictive measures

The Council adopted a common position renewing for one year the period of application of measures in support of the effective implementation of the mandate of the International Criminal Tribunal for the former Yugoslavia (ICTY) imposed by common position 2004/293/CFSP (6146/06).

The measures are intended to prevent the entry into, or transit through, the territory of the EU of persons who are engaged in activities which help persons at large continue to evade justice for crimes for which the ICTY has indicted them or are otherwise acting in a manner which could obstruct the ICTY's effective implementation of its mandate. The list, which was first drawn up in April 2003 and last amended in January 2005¹, includes a total of 36 persons to whom the prohibition on access to the EU applies.

International Criminal Tribunal for the former Yugoslavia - Freezing of funds

The Council adopted a decision removing Mr Milan Lukic from the list of persons whose assets were frozen by the EU under common position 2004/694/CFSP, given that he has been remanded in custody by the International Criminal Tribunal for the former Yugoslavia (ICTY) (6778/06).

The list of persons subject to a freeze of assets still contains seven names: Vlastimir Djordjevic, Goran Hadzic, Radovan Karadzic, Ratko Mladic, Zdravko Tolimir, Dragan Zelenovic and Stojan Zupljanin.

Common position 2004/694/CFSP freezes all funds and economic resources belonging to persons indicted by the ICTY for war crimes but not remanded in custody, implementing UN Security Council resolution 1503(2003). It invites Member States to cooperate with and render all necessary assistance to ICTY.

¹ OJ L 29, 2.2.2005, p. 50

ECONOMIC AND FINANCIAL AFFAIRS**Markets in financial instruments - Extension of deadlines***

The Council adopted a directive extending the deadlines for transposition and application of Directive 2004/39/EC on markets in financial instruments (*3678/05 and 6559/06 ADD1*).

Directive 2004/39/EC lays down common regulatory requirements relating to investment firms wherever authorised in the Community, and governing the functioning of regulated markets and other trading systems (*Official Journal L 145 of 30.4.2004*).

The new directive extends until 31 January 2007, instead of 30 April 2006, the deadline by which Member States must transpose Directive 2004/39/EC into their national laws, in order to allow a number of provisions of the Directive to be supplemented by implementing measures, to be adopted by the Commission during the period for transposition by the Member States.

The deadline for application of Directive 2004/39/EC is also extended by nine months and will now apply as from 1 November 2007, so as to allow investment firms sufficient time to comply with its requirements.

In adopting the new directive, the Council approved, in accordance with the co-decision procedure, all the amendments voted by the European Parliament at first reading.