

THE EUROPEAN COUNCIL

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Documents in the dossier include:

Madrid European Council

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I — Madrid European Council.

Madrid, 15 and 16 December

1.1. Chaired by Mr González, President of the European Council and Prime Minister of Spain, the summit of Heads of State or Government of the Member States took place in Madrid in the presence of Mr Santer, Mr Van den Broek and Mr de Silguy, for the Commission. It was preceded by an exchange of views with Mr Hänsch, President of Parliament, and followed by a meeting with the Heads of State or Government and Foreign Ministers of the associated countries of Central and Eastern Europe, including the Baltic States, and Cyprus and Malta.

Conclusions of the Presidency

PART A

Introduction

1.2. The European Council, meeting in Madrid on 15 and 16 December 1995, took decisions on employment, the single currency, the Intergovernmental Conference and enlargement to bring in countries of Central and Eastern Europe and the Mediterranean.

The European Council considers that job creation is the principal social, economic and political objective of the European Union and its Member States, and declares its firm resolve to continue to make every effort to reduce unemployment.

The European Council adopted the scenario for the changeover to the single currency, confirming unequivocally that stage three of economic and monetary union will commence on 1 January 1999.

The European Council decided to name the currency, to be used from 1 January 1999, the 'Euro'.

The European Council continued its deliberation on the future of Europe, which was launched in Essen and continued in Cannes and Formentor.

In this connection, having welcomed the Reflection Group's report, the European Council decided to launch the Intergovernmental Conference on 29 March 1996 in order to establish the political and institutional conditions for adapting the European Union to present and future needs, particularly with a view to the next enlargement.

It is essential that the Conference achieve results sufficient to enable the Union to bring added value to all its citizens and to shoulder its responsibilities adequately, both internally and externally.

The European Council notes with satisfaction some significant achievements in the area of external relations which have occurred since its last meeting and in which the European Union has played a decisive role:

- the signing in Paris of the Dayton Agreement, which puts an end to the terrible war in former Yugoslavia and builds on considerable European efforts over the preceding months in military, humanitarian and negotiating terms; the European Council recognizes the decisive contribution made by the United States at a crucial moment;
- the new transatlantic agenda and the joint EU-US action plan signed at the Madrid summit on 3 December 1995, which are major joint commitments with the United States to revitalize and strengthen our association;
- the signing in Madrid of the interregional framework agreement between the European Union and Mercosur, the first agreement of this type to be concluded by the European Union;
- the Barcelona Declaration, launching a new, comprehensive Euro-Mediterranean association which will promote peace, stability and prosperity throughout the Mediterranean through a permanent process of dialogue and cooperation;
- the signing in Mauritius of the revised Lomé IV Convention by the European Union and the ACP States, which will consolidate the association between the two sides;
- the European Parliament's assent to the customs union between the European Union and Turkey, which opens the way for the consolidation and strengthening of a political, economic and security relationship crucial to the stability of that region.

The European Council began its proceedings by exchanging ideas with Mr Klaus Hänsch, President of the European Parliament, on the main subjects for discussion at this meeting.

Finally, a meeting took place today between the Heads of State or Government and the Ministers for Foreign Affairs of the associated countries of Central and Eastern Europe, including the Baltic States (CCEE), as well as Cyprus and Malta. There was a broad exchange of views on these conclusions, matters concerning the pre-accession strategy and various issues relating to international policies.

I — The economic revitalization of Europe in a socially integrated framework

A. Economic and monetary union

References: Commission Green Paper on the practical arrangements for the introduction of the single currency: COM(95) 333; Bull. 5-1995, point 1.3.7

Conclusions of the Cannes European Council: Bull. 6-1995, point I.11

Statement by Mr de Silguy on behalf of the Commission on the European Monetary Institute's report on the scenario for the introduction of the single currency: Bull. 11-1995, point 1.3.6

I. The scenario for the changeover to the single currency

1.3. 1. The European Council confirms that 1 January 1999 will be the starting date for stage three of economic and monetary union, in accordance with the convergence criteria, timetable, protocols and procedures laid down in the Treaty.

The European Council confirms that a high degree of economic convergence is a precondition for the Treaty objective to create a stable single currency.

2. The name of the new currency is an important element in the preparation of the transition to the single currency, since it partly determines the public acceptability of economic and monetary union. The European Council considers that the name of the single currency must be the same in all the official languages of the European Union, taking into account the existence of different alphabets; it must be simple and symbolize Europe.

The European Council therefore decides that, as of the start of stage three, the name given to the European currency shall be Euro. This name is meant as a full name, not as a prefix to be attached to the national currency names.

The specific name Euro will be used instead of the generic term 'ecu' used by the Treaty to refer to the European currency unit.

The Governments of the 15 Member States have achieved the common agreement that this decision is

the agreed and definitive interpretation of the relevant Treaty provisions.

3. As a decisive step in the clarification of the process of introduction of the single currency, the European Council adopts the changeover scenario attached in Annex 1, which is based on the scenario elaborated at its request by the Council, in consultation with the Commission and the European Monetary Institute. It notes with satisfaction that the scenario is fully compatible with the EMI report on the changeover.

4. The scenario provides for transparency and acceptability, strengthens credibility and underlines the irreversibility of the process. It is technically feasible and aims to provide for the necessary legal certainty, to minimize adjustment costs and to avoid competitive distortions. Under the scenario, the Council, in the composition of Heads of State or Government, will confirm as early as possible in 1998 which Member States fulfil the necessary conditions for the adoption of the single currency. The European Central Bank (ECB) will have to be created early enough so as to allow preparations to be completed and full operation to start on 1 January 1999.

5. Stage three will begin on 1 January 1999 with the irrevocable fixing of conversion rates among the currencies of participating countries and against the Euro. From that date, monetary policy and the foreign exchange rate policy will be conducted in Euro, the use of the Euro will be encouraged in foreign exchange markets and new tradeable public debt will be issued in Euro by the participating Member States.

6. A Council Regulation, whose technical preparatory work shall be completed at the latest by the end of 1996, will enter into force on 1 January 1999 and provide the legal framework for the use of the Euro, which, from this date, will become a currency in its own right, and the official ecu basket will cease to exist. This Regulation will establish, as long as different monetary units still exist, a legally enforceable equivalence between the Euro and the national units. The substitution of the Euro for national currencies should not of itself alter the continuity of contracts, unless otherwise provided in the contract. In the case of contracts denominated by reference to the official ecu basket of the European Community, in accordance with the Treaty, substitution by the Euro will be at the rate of one to one, unless otherwise provided in the contract.

7. By 1 January 2002 at the latest, Euro banknotes and coins will start to circulate alongside national notes and coins. At most six months later, the national currencies will have been completely replaced by the Euro in all participating Member States and the changeover will be complete. Thereafter, national banknotes and coins may still be exchanged at the national central banks.

8. The European Council calls on the Ecofin Council to speed up all the additional technical work necessary

to implement the changeover scenario adopted today. The labelling of Euro banknotes and coins in the different alphabets of the Union will also be defined.

II. Further preparation of stage three of EMU

Durable economic convergence

I.4. Budgetary discipline is of crucial significance both for the success of the economic and monetary union and for the acceptance of the single currency by the public. It is therefore necessary to ensure that, after moving to stage three, public finances are kept on a sound track in line with Treaty obligations.

The European Council notes with interest the Commission's intention to present in 1996 its conclusions on ways to ensure budgetary discipline and coordination in the monetary union in accordance with the procedures and principles of the Treaty.

The relationship between Member States participating in the Euro area and non-participating Member States

I.5. The future relationships between Member States participating in the Euro area and non-participating Member States will have to be defined prior to the move to stage three.

The European Council requests that the Ecofin Council together with, in their respective fields of competence, the Commission and the EMI study the range of issues raised by the fact that some countries may not initially participate in the Euro area. The study should in particular, but not exclusively, cover those issues related to monetary instability.

Work ahead

I.6. The European Council requests the Ecofin Council to report on the two foregoing questions as soon as possible.

Work on both questions should respect the Treaty requirement that Member States entering the Euro area after 1999 should be able to do so on the same terms and conditions as those applied in 1998 to the initial participating Member States.

B. Broad economic policy guidelines

Reference: Council recommendation 95/326/EC on the broad guidelines of the economic policies of the Member States and the Community: OJ L 191, 12.8.1995; Bull. 7/8-1995, point 1.3.6

I.7. The European Council reiterates the need to maintain a high degree of convergence between Member

States' economies on a durable basis, in order both to create stable conditions for changing over to the single currency and to secure smooth functioning of the internal market. In that connection, it approved the Council report on the implementation of the broad economic policy guidelines adopted in July 1995.

C. Employment

References:

Conclusions of the Essen European Council: Bull. 12-1994, point I.3

Conclusions of the Cannes European Council: Bull. 6-1995, points I.4 to I.10

Commission report on employment in Europe (1995): COM(95) 396; Bull. 7/8-1995, point 1.3.177

Commission communication on trends and developments in employment systems in the European Union: COM(95) 465; Bull. 10-1995, point 1.3.211

Parliament resolution on the Commission's annual report on employment: OJ C 339, 18.12.1995; Bull. 11-1995, point 1.3.183

Joint Council and Commission report to the European Council on employment: point 1.3.198 of this Bulletin

Agreement between the social partners on reconciling work and family life: point 1.3.203 of this Bulletin

I.8. 1. The European Council reaffirms that the fight against unemployment and for equal opportunities is the priority task of the Community and its Member States.

The medium-term strategy outlined in Essen and confirmed at Cannes provides the appropriate framework for developing the measures agreed. These measures have already begun to apply in the Member States with generally positive results, thanks mainly to an appropriate combination of structural measures and policies favouring sustained economic growth.

The European Council welcomes the Commission's interim report and assessment of the mutually beneficial effects of greater coordination of the Union's economic and structural policies. It requests the Commission to submit its final report at the European Council meeting in December 1996.

2. The European Council is pleased with the way in which the procedure for monitoring employment provided for in Essen, based on a strategy of cooperation between all those involved in this common endeavour, has been formulated and put into practice for the first time:

□ the Member States have translated the Essen recommendations into multiannual employment programmes incorporating innovative measures which have already started to bear fruit and which are the ap-

appropriate instrument for transposing the recommendations to be adopted by the Council in the socio-economic area;

□ the job-creation strategy in the European Union will receive a new impetus with the approval by the European Council of the joint report submitted by the Council (Ecofin and Labour and Social Affairs) and the Commission (Annex 2); for the first time a convergence of views has been achieved on the approach to be followed to ensure that the current economic recovery is accompanied by a more thoroughgoing improvement in the employment situation.

The approval of that report fulfils the Essen instructions on monitoring employment and consolidates the employment policies agreed at previous European Council meetings. With the cooperation of all parties involved, new steps are being taken not only towards identifying the obstacles in the way of reducing unemployment but above all in connection with the macro-economic and structural aspects which substantially favour the creation of new jobs.

□ It welcomes the fact that, in their Declaration from the social dialogue summit in Florence, the social partners at European level arrived at a common criterion for measures to promote employment; similarly, it is pleased to note the broad degree of convergence between this agreement by the social partners and the criteria in the single report;

□ within this same line of involvement of the various players and institutions operating within the European Union, the European Council has examined with great interest the European Parliament resolution on employment, observing here too the broad convergence between that resolution and the single report.

3. On the basis of the recommendations in the single report, the European Council urges Member States to regard as priorities the following spheres of action in their multiannual employment programmes:

- stepping up training programmes, especially for the unemployed;
- rendering business strategies more flexible in areas such as the organization of work and of working time;
- ensuring a pattern of non-wage labour costs appropriate to unemployment-reducing objectives;
- continuing the current wage restraint by linking it to productivity, as an essential element in promoting intensive use of manpower;
- obtaining the maximum level of efficiency in social protection systems so that, while maintaining where possible the level attained, they never act as a disincentive to seeking work;
- pressing for greater conversion of passive policies to protect the unemployed into active job-creation measures;
- substantially improving the machinery for information between those providing and those seeking employment;

- promoting local employment initiatives.

The above measures will be applied with particular emphasis on those categories requiring special attention, such as young people seeking their first job, the long-term unemployed and unemployed women.

As regards measures on wage restraint, it recalls that such action falls within the social partners' own sphere. The development of social security contributions points to the need to act within a margin for manoeuvre which will preserve the financial stability of social protection systems.

The degree of application of the multiannual employment programmes and the recommendations adopted in Madrid will have to be reviewed at the European Council meeting in December 1996, with the aim of reinforcing the employment strategy and adopting further recommendations.

4. The European Council reiterates the need to ensure economic growth which generates more employment and urges Member States to persevere with policies in line with the broad economic policy guidelines, backing them up with the structural reforms already initiated or awaiting application, with the aim of eliminating existing rigidities and achieving better operation of labour markets in the goods and service sectors.

Maximum advantage must be taken of the opportunity offered by the current phase of economic expansion to achieve additional progress in the structural reforms required.

5. The European Council emphasizes lastly the important job-creation role played by internal policies, especially the internal market, environment policy, SMEs and the trans-European networks.

6. Members of the European Council that participate in the Agreement annexed to the Social Protocol to the Treaty note with satisfaction that for the first time an agreement has been reached with the social partners in the framework of that Agreement, in connection with the draft Directive on combining working and family life (parental leave). They hope this agreement will open the way for subsequent agreements in other important social and employment areas.

7. Lastly, in order to ensure the continued success of this strategy, it requests the Council (Ecofin and Labour and Social Affairs) and the Commission to monitor the application of those programmes continuously and to submit a further joint annual report for its meeting in December 1996. So as to facilitate practical application of the employment monitoring procedure decided on in Essen, it is necessary to establish as soon as possible the mechanisms envisaged in the joint report (stable structure and common indicators). The European Council reaffirms its determination to continue to give the objective of job creation maximum priority in the European Union in the years to come.

D. Other policies

Internal market

References:

Conclusions of the Essen European Council: Bull. 12-1994, points I.6, I.35 and I.36

Conclusions of the Cannes European Council: Bull. 6-1995, points I.7 and I.10

Commission progress report on the trans-European networks: COM(95) 571; Bull. 11-1995, point 1.3.102

Commission report to the European Council *The single market in 1995*: point 1.3.10 of this Bulletin

Parliament and Council Decision establishing a procedure for the exchange of information on national measures derogating from the principle of the free movement of goods within the Community: point 1.3.11 of this Bulletin

Second report of the Competitiveness Advisory Group: point 1.3.1 of this Bulletin

I.9. The European Council takes note of the Commission report on the internal market and welcomes the agreements reached on a significant number of proposals and the adoption of a new procedure for notifying national measures which could hinder the free movement of goods, thus ensuring effective application of the principle of mutual recognition.

The European Council took note of the Ciampi report on competitiveness and instructed the Council to examine it.

The internal market must benefit its citizens and integrate them to the full, through the application of the Treaty provisions on freedom of movement, better protection for consumers, an improvement in the social dimension and the development of mechanisms to inform citizens of the advantages they can obtain from the internal market and to gain a better understanding of their needs.

The European Council stresses the importance of completing the establishment of the internal market by introducing greater competition in many sectors in order to improve competitiveness with a view to job creation. In this connection, the European Council reaffirms its 1995 Cannes conclusions regarding the need to make that objective compatible with the performance of tasks of general economic interest specific to the public services. In particular, it is necessary to ensure equal treatment for citizens, uphold requirements as to quality and continuity of services, and contribute to balanced regional development.

The European Council confirms that trans-European networks can make an essential contribution to competitiveness, job creation and the cohesion of the Union. It takes note with satisfaction of the Commis-

sion report and of progress recently achieved in this area. It calls upon the Council and the Parliament to complete the legislative framework rapidly and upon Member States to give top priority to the effective implementation of projects and, in particular, those identified by the European Council as being of special importance. The European Council requests the Ecofin Council to adopt, on a proposal from the Commission, the necessary decisions to complement the financial resources currently available for the trans-European networks.

Small and medium-sized businesses

Reference: Commission report to the Council and the European Council on the role of SMEs as a dynamic source of employment, growth and competitiveness in the European Union: Bull. 11-1995, point 1.3.66

I.10. The European Council took note of the Commission report on the role played by SMEs as a source of jobs, growth and competitiveness, which points in particular to the need to:

- simplify administrative formalities;
- ensure better access to information, training and research;
- remove obstacles affecting SMEs within the internal market and promote their internationalization;
- improve the financial environment for them by means of better access to capital markets and encourage development of the European Investment Fund function with regard to SMEs.

The European Council urges the Commission to put these aims into practice as swiftly as possible in the framework of the next integrated programme for SMEs.

Environment

References:

Third conference of the parties to the Basle Convention: Bull. 9-1995, point 1.3.87

Third Pan-European Conference of Environment Ministers: Bull. 10-1995, point 1.3.165

Second conference of the parties to the Convention on Biological Diversity: Bull. 11-1995, point 1.3.148

Seventh conference of the contracting parties to the Montreal Protocol: point 1.3.147 of this Bulletin

Council conclusions on a European Community water policy: point 1.3.135 of this Bulletin

I.11. The European Council welcomes the clear and decisive role the Union has been playing internationally in defence of the environment, especially in the control of transboundary movements of hazardous

wastes and their disposal (Basle Convention), biological diversity, substances that deplete the ozone layer (Montreal Protocol) and other subjects dealt with at the Third Pan-European Conference of Environment Ministers.

The European Council notes with satisfaction the important agreements reached in the context of that policy and the debate on a new integrated approach centring not only on the quality of water but also on its scarcity as a limited economic and environmental resource.

Agriculture

References:

Council Regulation on the common organization of the market in rice: point 1.3.154 of this Bulletin

Proposals for Council Regulations on the common organization of the markets in fresh and processed fruit and vegetables: point 1.3.157 of this Bulletin

I.12. The European Council welcomes the progress of work on the reforms of the common market organizations (CMOs). It urges the Council to ensure that the common organization of the market in rice is adopted before the end of the year and the common organization of the market in wine as soon as possible. It asks the European Parliament to deliver its Opinion on the proposed reform of the common organization of the market in fruit and vegetables with a view to its adoption at the earliest opportunity.

Fisheries

Reference: Conclusions of the Essen European Council: Bull. 12-1994, point I.9

I.13. The European Council notes that Council proceedings have resulted in full compliance with the instructions given by the European Council at Essen, leading to full integration of Spain and Portugal into the common fisheries policy.

II — A citizen-friendly Europe

A. Subsidiarity

References:

Conclusions of the Birmingham European Council: Bull. 10-1992, point I.8

Conclusions of the Edinburgh European Council: Bull. 12-1992, points I.4 and I.15 to I.23

Conclusions of the Brussels European Council: Bull. 12-1993, point I.14

Commission report to the European Council on the application of the subsidiarity and proportionality principles, on simplification and on consolidation (*Better law-making*): Bull. 11-1995, point 1.9.2

I.14. The European Council held an exchange of views on the application of the principle of subsidiarity as set out in the Treaty. It confirmed the guidelines established at its meetings in Birmingham and Edinburgh, which should inform Union action.

The European Council took note of the second annual report from the Commission on the application of the subsidiarity and proportionality principles, and is pleased that the 1993 programme on the adaptation of existing legislation to the principle of subsidiarity is practically finalized.

It requested the Commission to report to the European Council at its meeting in Florence on the application of the principles of subsidiarity and proportionality to current EC legislation and to proposals under consideration.

B. Policies close to the citizen

References:

Commission report on the state of health in the European Union: COM(95) 357; Bull. 7/8-1995, point 1.3.193

World Conference on Women (Beijing): Bull. 9-1995, point 1.3.122

Proposal for a Directive amending Directive 89/552/EEC on the coordination of certain provisions laid down by law, regulation or administrative action in the Member States concerning the pursuit of television broadcasting activities: OJ C 185, 19.7.1995; COM(95) 86; Bull. 5-1995, point 1.3.139; Bull. 9-1995, point 1.3.138

Proposal for a Parliament and Council Decision establishing a Community action programme in the field of cultural heritage (Raphael): COM (95) 110; Bull. 3-1995, point 1.3.156; Bull. 10-1995, point 1.3.233

Council code of conduct on public access to the minutes and statements in the minutes of the Council acting as legislator: Bull. 10-1995, point 1.9.1

Decision 95/553/EE of the Representatives of the Governments of the Member States, meeting within the Council, regarding, respectively, protection for citizens of the European Union by diplomatic and consular representations and measures implementing Decision 95/553/EC: OJ L 314, 28.12.1995; point 1.1.2 of this Bulletin

Council Decision on the fourth medium-term Community action programme on equal opportunities for women and men (1996-2000): point 1.3.205 of this Bulletin

Proposal for a Parliament and Council Decision adopting a Community action programme of

health promotion, information, education and training: point 1.3.209 of this Bulletin

Proposal for a Parliament and Council Decision adopting an action plan against cancer: point 1.3.210 of this Bulletin

Proposal for a Parliament and Council Decision adopting a Community action programme concerning the prevention of AIDS and certain other communicable diseases: point 1.3.211 of this Bulletin

1.15. The European Council urges progress in the fight against social exclusion in its various forms, taking the view that solidarity is an essential factor for integration and the attainment of common objectives within the European Union.

The European Council takes note of the approval of the fourth programme on equal rights and opportunities for women and men and wishes to continue action in favour of women with a view to achieving fully equal treatment. For the same purpose, the European Union will also monitor annually the action platform which emerged from the Beijing Conference.

The European Council reaffirms the importance of cultural action as a way of fostering a Community dimension in the cultures of all the Member States of the Union. The European Council stresses its interest in arriving shortly at a viable agreement on the Raphael programme regarding cultural heritage of European significance.

The European Council welcomes the renewal of the MEDIA programme and also the decisive progress achieved in the Council on the proposal to amend the Directive on television without frontiers, which will, it hopes, be adopted as soon as the necessary conditions obtain.

The European Council notes the work done on the protection of public health and urges adoption of the programmes to combat cancer and to combat AIDS and the programme of action on health education and training.

The European Council notes the major report on the state of health in the European Union and trusts that the European Parliament and the Council will be able to adopt the programme of action on health monitoring and inspection as soon as possible.

The European Council expresses satisfaction at the progress made in achieving greater transparency in Council proceedings, through the approval of a code of conduct to facilitate public access to Council minutes and statements when the Council acts as legislator, and at the growing number of debates which have been broadcast to the public.

The European Council welcomes the adoption of two Decisions on consular protection, which will give citizens of the Union access to all the Member States'

consulates in third countries, in compliance with Article 8c of the Treaty.

C. Justice and home affairs

References:

Council Joint Action 95/73/JHA concerning the Europol Drugs Unit: OJ L 62, 20.3.1995; Bull. 3-1995, point 1.5.4

Convention on the simplified extradition procedure: OJ C 78, 30.3.1995; Bull. 3-1995, point 1.5.5

Europol Convention: OJ C 316 du 27.11.1995; Bull. 7/8-1995, point 1.5.2

Convention on the protection of the Communities' financial interests: OJ C 316, 27.11.1995; Bull. 7/8-1995, point 1.5.3

Convention on the customs information system: OJ C 316, 27.11.1995; Bull. 7/8-1995, point 1.5.4

Council resolution on the burden-sharing with regard to the admission and residence of displaced persons on a temporary basis: OJ C 262, 7.10.1995; Bull. 9-1995, point 1.5.6

Council joint position concerning the harmonized application of the definition of the term 'refugee' in Article 1 of the Geneva Convention: Bull. 11-1995, point 1.5.2

Council conclusions on an alert and emergency procedure for burden-sharing with regard to the admission and residence of displaced persons on a temporary basis: Bull. 11-1995, point 1.5.3

Draft Convention on Insolvency Proceedings: Bull. 11-1995, point 1.5.13

Commission communication on racism, xenophobia and anti-semitism: point 1.2.1 of this Bulletin

Conclusions of the Council and the Representatives of the Governments of the Member States on readmission clauses in mixed agreements and in Community agreements: Bull. 11-1995, point 1.5.9; point 1.5.3 of this Bulletin

Conference on drugs policy in Europe: point 1.5.9 of this Bulletin

Agreements between the Community and Bolivia, Colombia, Ecuador, Peru and Venezuela on drug precursors and chemical substances: point 1.5.10 of this Bulletin

1.16. The European Council took note of the report on activities carried out in 1995 in the field of justice and home affairs, which describes a very wide range of activities, among them the conclusion of four Conventions and the establishment of the Europol Drugs Unit.

It is the European Council's ambition that the Union can create an area of freedom and security for its citizens and it requests that, with a view to extending cooperation in these areas, future activities be focused on programmed priority areas, including Europol, over a number of Presidencies, particularly in relation to:

1. Terrorism

1.17. The European Council notes with great satisfaction the Council's approval of the La Gomera Declaration on terrorism (Annex 3) as evidence of the Union's firm resolve to reinforce collaboration in the fight against terrorism, one of the priority objectives of cooperation in justice and home affairs. It urges the Council to give expression to such cooperation in the form of effective practical measures.

2. Drugs and organized crime

1.18. The European Council approves the report of the Group of Experts on Drugs and stresses the urgency of translating the guidelines it contains into precise, coordinated operational activities within the Union.

The European Council invites the incoming Italian Presidency, in collaboration with the future Irish Presidency and after consultation of the Member States, the Commission, the Europol Drugs Unit and the European Monitoring Centre for Drugs and Drug Addiction, to prepare a programme of activities which takes account of the guidelines in that report. The European Council will examine progress in the application of that report in December 1996.

In this connection, the European Council considers it a matter of priority to establish a mechanism for cooperation between the European Union and Latin America, including the Caribbean, to combat drugs. It considers that the international strategy for combating drug abuse and unlawful trafficking in drugs must be based on a comprehensive, coordinated approach designed to reduce drug supply and demand through bilateral cooperation between both regions. It welcomes the Franco-British initiative on the Caribbean, which proposes regional action to combat trafficking in narcotics and which is also included in action under the transatlantic agenda.

The European Council calls upon the Council and the Commission to prepare a report and the requisite proposals for action in both areas by April 1996. An *ad hoc* working party on drugs will be set up for the purpose.

The European Council is pleased that an Agreement on precursors will be signed in Madrid on 18 December 1995 between the Community and the five countries of the Andean Pact, an important step forward in this strategy. In that connection, it supports the maintenance of preferences for the Andean countries and Central America as part of the special arrangements for combating drugs in the generalized scheme of preferences.

The European Council also expresses satisfaction at the Conference on drugs held in Brussels on 7 and 8 December 1995.

The European Council takes note of the proceedings on organized crime and urges the Council to adopt the

necessary operational measures to combat this threat to all the Member States.

The European Council calls upon the Council and the Commission to consider the extent to which harmonization of Member States' laws could contribute to a reduction in the consumption of drugs and unlawful trafficking in them.

3. Judicial cooperation

1.19. The European Council considers that priority should be given to extradition and mutual judicial assistance in criminal matters and to the extension of the Brussels Convention and document transmission in civil matters. It notes with satisfaction the signing of the Convention on Insolvency Proceedings.

4. Immigration and asylum

1.20. The European Council expresses satisfaction at the results achieved regarding third-country nationals residing illegally in the Union, readmission agreements and combating illegal immigration and illegal employment, and urges the Council to continue proceedings in this area.

The European Council also expresses satisfaction at the approval of the resolution on burden-sharing with regard to the admission of displaced persons, and the decision on an alert and emergency procedure for burden-sharing.

The European Council takes note of the common position aimed at harmonized application of the definition of the term 'refugee' within the meaning of Article 1 of the Geneva Convention and calls for ratification of the Dublin Convention to be completed.

5. External frontiers

1.21. The European Council urges the Council to settle as soon as possible the issues outstanding with regard to the adoption of the Convention on persons crossing the external frontiers of the Member States of the European Union and welcomes the results achieved on visas.

6. Racism and xenophobia

1.22. The European Council took note of the results obtained on defining strategies to combat racism and xenophobia (Annex 4); it urges adoption of the Joint Action concerning action to combat racism and xenophobia with the aim of approximating Member States' laws and enhancing the opportunities for judicial assistance between the Member States in this area.

The European Council took note of the interim report from the Consultative Commission and instructs it to

continue its proceedings on that basis and complete the feasibility study for a European Monitoring Centre on Racism and Xenophobia in time for the European Council meeting in June 1996.

D. Fraud and protection of financial interests

References:

Convention on the protection of the Communities' financial interests: OJ C 316, 27.11.1995; Bull. 7/8-1995, point 1.5.3

Council conclusions on the comparative analysis of the reports supplied by the Member States on measures taken to combat fraud: Bull. 11-1995, point 1.6.11; points I.61 and I.62 of this Bulletin

Council Regulation (EC) No 2988/95 on the protection of the Communities' financial interests: OJ L 312, 23.12.1995; point 1.6.7 of this Bulletin

Proposal for a Council Regulation concerning on-the-spot checks and inspections by the Commission for the deflection of frauds and irregularities detrimental to the financial interests of the Communities: COM(95) 690; point 1.6.8 of this Bulletin

Proposal for a Council act establishing a Protocol to the Convention on the protection of the Communities' financial interests: COM(95) 693; point 1.5.7 of this Bulletin

I.23. The European Council took note of the comparative analysis and synthesis document on national measures taken to combat wastefulness and the misuse of Community resources, prepared by the Commission on the basis of reports from the Member States.

The European Council supports the conclusions approved by the Economic and Financial Affairs Council (Annex 5) and calls upon the Member States and the institutions to adopt the necessary measures to ensure an equivalent level of protection throughout the Community and in the Community budget and the EDF as a whole.

The European Council also expresses satisfaction at the imminent adoption of the Regulation on the protection of the European Communities' financial interests and the signing of the relevant Convention.

It calls upon the Commission to submit a proposal shortly on checks and verifications *in situ* and requests the Economic and Financial Affairs Council to adopt those provisions before the European Council meeting in June.

The European Council also notes with satisfaction that consensus has been reached on an additional protocol to the Convention on the protection of the European Communities' financial interests which is designed to

harmonize treatment of corruption on the part of both national and European officials and members of Community or national institutions and bodies as a criminal offence.

It calls upon the JHA Council to continue its proceedings in order to supplement the Convention, particularly in the field of judicial cooperation.

The European Council welcomes the Commission initiative on sound financial management and particularly its decision to establish a group of personal representatives to identify priority action at Community and national level with a view to improving budget execution and making good the shortcomings in financial management identified by the Court of Auditors.

It invites the Commission and the Council to examine the possibility of extending the system of clearance of accounts from agriculture to other sectors.

E. Legislative and administrative simplification

Reference: Commission's comments on the report of the group of independent experts on simplification of legislation and administration: Bull. 11-1995, point 1.9.3

I.24. The European Council reaffirms the importance of preventing the imposition of unnecessary burdens on business activity, through a process of legislative and administrative simplification which must preserve the *acquis communautaire* and be accompanied by national measures contributing to the same objective. In this respect, it refers to the Commission report on the report from the independent experts group.

It calls upon the Commission to table its new proposals for the consolidation of Community law and upon the Council to act as soon as possible.

III — A Europe open to the world, enjoying stability, security, freedom and solidarity

A. Enlargement

References:

Conclusions of the Copenhagen European Council: Bull. 6-1993, point I.26

Conclusions of the Essen European Council: Bull. 12-1994, point I.13

Conclusions of the Cannes European Council: Bull. 6-1995, point I.12

Commission interim report on the effects on the policies of the European Union of enlarge-

ment to the associated countries of Central and Eastern Europe: Bull. 11-1995, point 1.4.47; point 1.4.62 of this Bulletin

Commission progress report on the pre-accession strategy with the associated countries of Central and Eastern Europe: Bull. 11-1995, point 1.4.46

Commission study into ways of developing agricultural relations between the European Union and the associated countries with a view to their accession: Bull. 11-1995, point 1.4.48

I.25. Enlargement is both a political necessity and a historic opportunity for Europe. It will ensure the stability and security of the continent and will thus offer both the applicant States and the current members of the Union new prospects for economic growth and general well-being. Enlargement must serve to strengthen the building of Europe in observance of the *acquis communautaire* which includes the common policies.

With that in mind, the European Council took note of the Commission reports on the effects of enlargement on the policies of the European Union, on alternative strategies in agriculture and on the progress of the pre-accession strategy for the associated countries of Central and Eastern Europe.

The European Council takes note of the Council report on relations with the associated CCEE during the second half of 1995 (Annex 6).

The PHARE programme, as supported by the European Council's decisions at its Cannes meeting, and the continued activities of the European Investment Bank will allow an overall increase in the input for accession preparations.

The European Council reiterates that the accession negotiations with Malta and Cyprus will commence, on the basis of the Commission proposals, six months after the conclusion of the 1996 Intergovernmental Conference, and will take its results into account. It is pleased that structured dialogue with both countries began in July 1995 within the framework of the pre-accession strategy.

The European Council also confirms the need to make sound preparation for enlargement on the basis of the criteria established in Copenhagen and in the context of the pre-accession strategy defined in Essen for the CCEE; that strategy will have to be intensified in order to create the conditions for the gradual, harmonious integration of those States, particularly through the development of the market economy, the adjustment of their administrative structures and the creation of a stable economic and monetary environment.

The European Council calls upon the Commission to take its evaluation of the effects of enlargement on Community policies further, particularly with regard to agricultural and structural policies. The European

Union will continue its review at its next meetings on the basis of reports from the Commission.

It asks the Commission to expedite preparation of its opinions on the applications made so that they can be forwarded to the Council as soon as possible after the conclusion of the Intergovernmental Conference, and to embark upon preparation of a composite paper on enlargement. This procedure will ensure that the applicant countries are treated on an equal basis.

It also calls upon the Commission to undertake a detailed analysis as soon as possible of the European Union's financing system in order to submit, immediately after the conclusion of the Intergovernmental Conference, a communication on the future financial framework of the Union as from 31 December 1999, having regard to the prospect of enlargement.

Following the conclusion of the Intergovernmental Conference and in the light of its outcome and of all the opinions and reports from the Commission referred to above, the Council will, at the earliest opportunity, take the necessary decisions for launching the accession negotiations.

The European Council hopes that the initial phase of negotiations will coincide with the start of negotiations with Cyprus and Malta.

B. External relations

Former Yugoslavia

Reference: Meeting of donor countries and organizations concerning the reconstruction of Bosnia-Herzegovina: point 1.4.83 of this Bulletin

I.26. The European Council expresses satisfaction at the fact that the peace agreement negotiated in Dayton was signed in Paris on 14 December 1995 and confirms its determination to make a substantial contribution to implementing it.

The European Council welcomes the adoption by the United Nations Security Council of the Resolution supporting the peace agreements signed in Paris and applying their provisions at both civil and military level.

With regard to civilian aspects, the European Council endorses the conclusions of the Conference held in London on 7 and 8 December 1995. It welcomes the appointment of Mr Carl Bildt as the High Representative and assures him of its full support.

The application of the peace agreement involves the implementation of a stable military equilibrium based on the lowest possible level of weaponry. The European Council hopes that the parties involved will take advantage of the opportunity for dialogue offered by the Conference to be held in Bonn on 18 December 1995.

It is now for the parties to shoulder their responsibilities in fully implementing the agreement in order to bring an end to the war once and for all.

For its part, the European Union reiterates its willingness to make a contribution to the reconstruction of former Yugoslavia in the context of equitable international burden-sharing. A preparatory conference will be held in Brussels on 20 and 21 December 1995 with a view to identifying the most urgent needs.

The European Council reaffirms the right of refugees and displaced persons to return freely and safely to their homes throughout the territory of former Yugoslavia and to obtain fair compensation as a fundamental right.

The European Council approved the Declaration in Annex 7.

Former Yugoslav Republic of Macedonia

Reference: Proposal for a trade and cooperation agreement with the former Yugoslav Republic of Macedonia: point 1.4.84 of this Bulletin

I.27. The European Council is pleased that the conditions exist for establishing contractual cooperation relations between the Union and the FYROM and asks the Council to approve the negotiating directives before the end of 1995 with a view to concluding a cooperation and trade Agreement which takes full account of its aspirations.

Slovenia

References:

Conclusions of the Cannes European Council: Bull. 6-1995, point I.12

Draft Europe (Association) Agreement with Slovenia: Bull. 10-1995, point 1.4.64

I.28. In the light of the Cannes conclusions and bearing in mind the compromise proposal from the Presidency, the European Council reaffirms its desire to have the Association Agreement with Slovenia signed as soon as possible.

Baltic Sea region

Reference: Commission report on the current state of and perspectives for cooperation in the Baltic Sea region: COM(95) 609; Bull. 11-1995, point 1.4.43

I.29. The European Council took note of the Commission report on the current state of and prospects for cooperation in the Baltic Sea Region.

The Union has an interest in promoting political stability and economic development in that region. The

European Council therefore urges the Commission to propose a suitable regional cooperation initiative to be presented to the Heads of State or Government of the Council of Baltic Sea States at their Conference in Visby on 3 and 4 May 1996, and thereafter report to the European Council in Florence.

Russia

References:

Draft Interim Agreement with Russia on trade and trade-related matters: Bull. 10-1995, point 1.4.89

Council conclusions on strategy on EU-Russia relations: Bull. 11-1995, points 1.4.81 and 2.2.1

I.30. The European Council trusts that Russia will continue its action to promote stability, development, peace and democracy. It means to support its efforts. It wishes to strengthen permanently the ties between the European Union and this great country.

It is convinced that the development of cooperation in the field of security between the European Union and Russia is essential for stability in Europe.

It notes with satisfaction that the Interim Agreement with Russia signed in Brussels on 17 July 1995 is to come into force on 1 February 1996 and it urges the Contracting Parties to ratify the Partnership and Cooperation Agreement as soon as possible. It also welcomes the outcome of the summit between the European Union and Russia which took place in September in Moscow. It confirms the European Union's overall political approach to its future relations with Russia, as formulated by the General Affairs Council on 20 November 1995 (Annex 8).

It approved a Declaration on the forthcoming holding of parliamentary elections in Russia (Annex 9).

It supports Russia's efforts to achieve complete integration into the international economy and its admission to the WTO and other international organizations.

It also confirms its support for Russia's accession to the Council of Europe in the near future.

TACIS

Reference: Proposal for a Council Regulation concerning the provision of assistance to economic reform and recovery in the new independent States and Mongolia (TACIS): OJ C 134, 1.6.1995; COM(95) 12; Bull. 1/2-1995, point 1.4.102; Bull. 11-1995, point 1.4.86

I.31. The European Council reaffirms the readiness of the European Union to continue its assistance programme to the republics of the former Soviet Union

with the aim of supporting the process of political and economic reform which these republics have initiated. It underlines the importance of adopting the new TACIS Regulation at the beginning of 1996.

Ukraine

Reference: Council Decision 95/442/EC providing further macro-financial assistance to Ukraine: OJ L 258, 28.10.1995; Bull. 10-1995, point 1.4.91

I.32. The European Council expresses satisfaction at the recent accession of Ukraine to the Council of Europe and supports its authorities' undertaking to continue the current process of economic reform. The Union welcomes the important agreement reached with Ukraine on the definitive closure of the Chernobyl nuclear power station by the year 2000, in accordance with the timetable and conditions foreseen; it continues to provide support for Ukraine through macroeconomic assistance.

Turkey

Reference: Proposal for a Council Decision relating to a common position by the Community in the EC-Turkey Association Council on implementing the final phase of the customs union: point 1.4.67 of this Bulletin

I.33. The European Council reiterates the priority it attaches to the development and strengthening of relations with Turkey and welcomes the assent given by the European Parliament which will enable the final phase of the customs union with Turkey to enter into force on 31 December 1995, together with the arrangements for strengthening political dialogue and institutional cooperation. It hopes that the Regulation on financial cooperation with Turkey will enter into force as soon as possible.

The European Council recalls the importance it attaches to respect for human rights, the rule of law and fundamental freedoms and strongly supports all those in Turkey endeavouring to put reforms into practice. In that spirit, it welcomes the measures already adopted by the Turkish authorities and urges them to continue along that path.

Cyprus

I.34. The Council reiterates the importance which it attaches to making substantial efforts to achieve a just and viable solution to the question of Cyprus in line with the United Nations Security Council resolutions, on the basis of a bi-zonal and bi-community federation.

Security

I.35. In the security field, the European Council welcomes the progress made within the Union on developing a common policy for the integration of the

CCEE into the European security architecture, and the place which Russia and Ukraine will have in it.

The European Council expresses its satisfaction at the approval by the Ministerial Council of the Western European Union, meeting in Madrid in November 1995, of the WEU contribution to the 1996 Intergovernmental Conference confirming the desirability of strengthening links between the European Union and the WEU. It takes note of the wish expressed by the WEU to contribute, as necessary, to the proceedings of the Intergovernmental Conference on security and defence aspects and to keep a close watch on their development. The European Council also takes note of the Reflection Group's contribution in this area.

It stressed the need to continue encouraging disarmament and non-proliferation within the framework of the common foreign and security policy. In this connection:

- it expresses its firm desire that the negotiations for a comprehensive nuclear test ban Treaty be completed no later than June 1996;
- it supports an immediate start to negotiations for a Treaty banning the production of fissile material for nuclear weapons (cut-off);
- it welcomes the adoption, in the first round of the Conference to review the 1980 Convention on Inhumane Weapons, of a new protocol prohibiting the use of blinding laser weapons;
- it reiterates the European Union's wish that all its members ratify the Convention on Chemical Weapons at the earliest opportunity so that it can come into force shortly.

OSCE

Reference: Fifth Summit of the Heads of State or Government and the Foreign Ministers of the OSCE: point 1.4.19 of this Bulletin

I.36. The Union welcomes the results of the OSCE Budapest Conference which are intended to reinforce the structures and capacities of the OSCE so that it can fulfil its ever-increasing number of tasks, particularly in the field of preventive diplomacy.

It reiterates the European Union's intention of continuing to contribute actively to strengthening the OSCE and, in particular, to drawing up a common and comprehensive security model for Europe for the 21st century.

The European Council welcomed the adoption on 13 December 1995 in Royaumont, at the suggestion of the European Union, of the Declaration on the process of stability and good-neighbourly relations in south-eastern Europe.

Andorra

I.37. The European Council welcomes the renewed impetus given to the Union's relations with Andorra and calls upon the Commission to submit appropriate proposals for developing new areas of cooperation.

Transatlantic relations

References:

Conference organized to launch the transatlantic trade dialogue: Bull. 11-1995, point 1.4.90

European Union-United States summit in the framework of the transatlantic declaration: point 1.4.104 of this Bulletin

I.38. The European Council underlines the great importance of the new transatlantic agenda and the joint EU-US action plan signed at the EU-US Summit in Madrid on 3 December 1995 (Annex 10). It considers that this initiative constitutes a qualitative leap forward in strengthening our relations, moving on from a stage of consultations towards a new stage of concerted and joint action. It is resolved that the Union for its part should put fully into practice what was agreed in Madrid and to resume examination of this issue at the European Council in Florence.

It welcomes the initiatives put forward at the meeting of the transatlantic business dialogue in Seville.

It hopes that other Atlantic democracies will share the goals of the new transatlantic agenda.

Mediterranean

References:

Draft Euro-Mediterranean Association Agreement with Egypt: Bull. 12-1994, point 1.3.67

Conclusions of the Cannes European Council: Bull. 6-1995, points I.49 to I.53

Draft Euro-Mediterranean Association Agreement with Jordan: Bull. 6-1995, point 1.4.82

Draft Euro-Mediterranean Association Agreement with Lebanon: Bull. 10-1995, point 1.4.82

Barcelona Euro-Mediterranean Conference: Bull. 11-1995, points 1.4.56 and 2.3.1

Draft Euro-Mediterranean Association Agreement with Morocco: point 1.4.88 of this Bulletin

Draft Euro-Mediterranean Association Agreement with Tunisia: point 1.4.90 of this Bulletin

Draft Association Agreement with Israel: point 1.4.91 of this Bulletin

I.39. The European Council highlights the major significance of the results achieved at the Barcelona Euro-Mediterranean Conference and calls upon the Council and the Commission to put into practice the Barcelona Declaration and Work Programme (Annex 11).

The Barcelona Conference marked the start of a new stage in which the goal of securing peace, stability and prosperity in the Mediterranean region constitutes a common task for all parties to the new Euro-Mediterranean association. The 'Barcelona spirit' must encourage this on-going process, which should culminate in the conclusion of a pact for the Mediterranean.

The European Council warmly welcomes the Agreements concluded with Tunisia, Israel and Morocco. It

hopes that the negotiations under way with Egypt, Jordan and Lebanon will reach a rapid conclusion, and points out that the European Union is ready to negotiate such agreements with Algeria and Syria as soon as possible. In this connection it confirms its Cannes conclusions regarding the nature of the Euro-Mediterranean free-trade area.

It notes with satisfaction the recent presidential elections in Algeria and trusts that there will shortly be new moves towards restoring a normal political situation in the country through dialogue and the holding of free and above-board general and local elections. It notes that Algeria wishes to conclude a new association agreement with the European Union, and calls upon the Commission to submit draft negotiating directives to that end.

Middle East

Reference: Agreement on the extension of autonomy to the whole of the West Bank: Bull. 9-1995, point 1.4.46

I.40. The European Council welcomes the Interim Agreement between Israel and the Palestine Liberation Organization, signed in Washington on 28 September.

The European Council deeply regrets the tragic assassination of Prime Minister Yitzhak Rabin and supports the undertaking given by the new Prime Minister, Mr Peres, to take the peace process forward with the same resolve. It accordingly appeals for rapid progress to be made on the Syrian track and for all parties to step up their efforts to reach a comprehensive, just and lasting peace.

It welcomes the rapid disbursement of the EIB loans for ECU 250 million granted to the Palestine Authority, and hopes that the Commission will submit to it, at the earliest opportunity, draft directives for negotiating an agreement with the European Union. It similarly welcomes the implementation of the measures needed to coordinate the monitoring of the Palestinian elections.

It notes with satisfaction the progress made at the Amman Economic Summit and trusts that positive results will be achieved at the Ministerial Conference for Economic Assistance to the Palestinian People, to be held in Paris on 9 January 1996.

Iran

I.41. The European Union will continue to ensure that cooperation with Iran is conducted with all the guarantees necessary to avoid any contribution whatsoever to the acquisition of a military nuclear capacity.

In the context of respect for fundamental rights and freedom of expression, the European Union will keep

up its efforts, within the framework of critical dialogue, to obtain a satisfactory solution in respect of the British writer Salman Rushdie and calls upon the Iranian authorities to respond constructively to its efforts. It requests the Council to keep a close watch on the matter.

Latin America

References:

Council conclusions on Cuba: Bull. 10-1995, point 1.4.108

Proposed economic partnership and political consultation Agreement between the Community and Mexico: Bull. 10-1995, point 1.4.109

Recommendation for a Council Decision on the renewal of the San José dialogue: COM(95) 600; Bull. 11-1995, point 1.4.96

Recommendation for a Council Decision on the negotiation of a framework Agreement on trade and economic cooperation with Chile: Bull. 11-1995, point 1.4.97

Council conclusions on general guidelines for cooperation between the Community and Latin America 1996-2000: point 1.4.110 of this Bulletin

Interregional framework cooperation agreement with Mercosur: point 1.4.111 of this Bulletin

Joint declaration on political dialogue between the European Union and Chile: point 1.4.112 of this Bulletin

I.42. The European Council stresses the significant progress made in the process of strengthening relations with Latin America. It requests the Council and the Commission to expedite implementation of the conclusions on enhancing cooperation between the European Union and Latin America in the period 1996-2000 (Annex 12).

It welcomes the signing in Madrid of the interregional framework agreement on trade and economic cooperation between the European Union and Mercosur, the final objective of which is to achieve political and economic association.

It emphasizes that the joint declaration on political dialogue between the European Union and Chile is to be signed shortly. This marks an important step towards the early negotiation of a new agreement directed ultimately at political and economic association.

The European Council calls upon the Council and the Commission to begin negotiations as soon as possible with Mexico for a new political, economic and trade agreement which includes progressive and reciprocal trade liberalization, taking account of the sensitivity of certain products and in line with WTO rules.

It also declares its interest in renewing the San José dialogue between the European Union and Central

America, on the basis of the communication recently submitted by the Commission.

It notes the wish expressed by the Andean presidential council to strengthen relations between the Andean Pact and the European Union, and calls upon the Commission to submit appropriate measures. It also considers an early renewal of the generalized scheme of preferences for the Central American and Andean Pact countries to be of particular importance, and asks the Council to adopt this at the earliest opportunity.

It considers that dialogue and cooperation should be continued with Cuba in order to lend active support to the process of reform under way, to foster respect for human rights and fundamental freedoms and to broaden the scope of private initiative and the development of civil society. To that end, it asks the Commission to present, in the first half of 1996, draft negotiating directives for a trade and economic cooperation agreement, which will be examined by the Council in the light of developments in the political and economic situation in Cuba.

Lastly, it calls upon the EIB to step up its activity in Latin America in line with its financing procedures and criteria.

Lomé Convention

References:

Proposed Agreement amending the fourth Lomé Convention following the mid-term review: Bull. 11-1995, point 1.4.102

Proposal for a Protocol to the fourth ACP-EEC Convention consequent on the accession of Austria, Finland and Sweden: Bull. 11-1995, point 1.4.104

Council Decision on transitional measures for the advance application of certain provisions of the revised Lomé Agreement: point 1.4.117 of this Bulletin

I.43. The European Council welcomes the signing in Mauritius on 4 November of the Agreement on the revision of the fourth ACP-EC Convention, together with the Protocol on the Accession of Austria, Finland and Sweden, as well as the adoption of provisional implementing measures.

Africa

References:

Draft Agreement on trade and cooperation with South Africa: Bull. 10-1995, point 1.4.126

Council conclusions on preventive diplomacy, conflict resolution and peace-keeping in Africa: point 1.4.116 of this Bulletin

Common position 95/544/CFSP on Nigeria — OJ L 309, 21.12.1995; point 1.4.119 of this Bulletin

1.44. The European Council expresses its grave concern at the situation in Nigeria, confirms the sanctions adopted within the European Union and appeals once more to the Nigerian authorities to ensure full respect for human rights and a swift transition to democracy, failing which it reserves the right to take further measures.

To put an end to the violence, particularly in Burundi, and to ease the return of Rwandan refugees, the European Council emphasizes the importance of national reconciliation and stability in the Great Lakes region. It restates its support for the convening of the Conference on the Great Lakes Region under the auspices of the United Nations and the Organization for African Unity, as well as the rapid appointment of a new special representative of the United Nations Secretary-General to Burundi.

It welcomes the political dialogue which has begun between the European Union and the OAU, and particularly the Council conclusions of 4 December on preventive diplomacy, conflict resolution and peace-keeping in Africa (Annex 13).

It notes with satisfaction the negotiations under way with South Africa with a view to drawing up an agreement on creating a free-trade area and highlights the importance of these negotiations being brought to a rapid conclusion.

Asia

References:

Council report to the European Council on the Union position on the Asia-Europe Meeting: point 1.4.106 of this Bulletin

Council conclusions on a long-term policy for relations between the European Union and China: point 1.4.107 of this Bulletin

1.45. The European Council welcomes the adoption of the Council report which will serve as a basis for preparing the Europe-Asia Meeting to be held in Bangkok on 1 and 2 March 1996 (Annex 14).

It confirms the importance which the European Union places on the development of relations with China. It notes the conclusions adopted by the Council on a long-term policy for China-Europe relations.

The European Council reiterates its deep concern at the heavy prison sentence imposed on the Chinese human rights campaigner, Mr Wei Ging Xeng, and urges China to show clemency at his appeal and grant his swift and unconditional release.

The European Union will participate, in conditions to be negotiated, in the Korean Peninsular Energy Development Organization (KEDO).

The European Council, bearing in mind in particular the latest events in Djakarta in connection with the

increased tension in East Timor, pledges support for any appropriate action which could contribute towards a just, overall and internationally acceptable solution to this issue and particularly towards the mediation efforts being made by the UN Secretary-General.

United Nations

Reference: Presidency statement on behalf of the European Union concerning the financial situation of the United Nations: Bull. 10-1995, point 1.4.10

1.46. On the occasion of the 50th anniversary of the United Nations, the European Union expressed its continuing support for the UN as a global forum fostering mankind's aspirations for peace, security and economic and social progress.

The European Union, whose Member States together constitute the UN's main financial contributor, expressed its concern in its Declaration of 25 October 1995 at the current critical financial situation of the United Nations. The European Council appeals again to all States which are members of the UN to pay their contributions to the normal budget and to peace-keeping operations, in full, on time and without conditions.

The European Council hopes, in this connection, that progress will be made on adjustments to improve UN structures and institutions, including the Security Council.

IV — Laying the foundations of the Europe of the future

The political agenda for Europe

1.47. The European Council identified the challenges which the Member States of the European Union must meet in order to prepare Europe for the 21st century. In the next five years, we must:

- carry out adjustments to the Treaty on European Union;
- make the transition to a single currency in line with the timetable and conditions set;
- prepare for and carry out the enlargement negotiations with the associated countries of Central, Eastern and Southern Europe which have applied for membership;
- determine, in parallel, the financial perspective beyond 31 December 1999;
- contribute to establishing the new European security architecture;
- actively continue the policy of dialogue, cooperation and association already under way with the

Union's neighbouring countries, and in particular with Russia, Ukraine, Turkey and the Mediterranean countries.

Success in all these tasks will mean that a large community enjoying the benefits of freedom, prosperity and stability can be set up Europe-wide.

The Intergovernmental Conference

Reference: Final report of the Reflection Group on the Intergovernmental Conference: point 1.9.2 of this Bulletin

I.48. 1. The European Council received with great interest the report by the Reflection Group, chaired by Mr Westendorp (Annex 15), which had been instructed by the European Council to prepare for the 1996 Intergovernmental Conference. It considers that the guidelines distilled within the Group, following a thorough analysis of the internal and external challenges facing the Union and the possible responses, constitute a sound basis for the work of the Conference.

2. The Intergovernmental Conference will have to examine those provisions of the Treaty on European Union review expressly called for in the Treaty, as well as those questions which it was decided should be discussed by the Conference, both in the Brussels and Corfu European Council conclusions and in declarations adopted at the time of interinstitutional agreements. The European Council also reaffirms the guidelines laid down at its Cannes meeting. The Intergovernmental Conference will, in general, have to examine the improvements which will have to be made to the Treaties to bring the Union into line with today's realities and tomorrow's requirements, in the light of the outcome of the Reflection Group's proceedings.

3. The European Council agrees that the formal review procedure stipulated in Article N of the Treaty will be carried out as quickly as possible so that the Conference can be officially opened in Turin on 29 March. The European Council takes note of the intention of the forthcoming Italian presidency to adopt appropriate measures for preparing the Conference.

4. The Conference will meet regularly, in principle once a month, at the level of Foreign Affairs Ministers, who will have responsibility for all proceedings; preparations will be conducted by a working party made up of a representative of each Member State's Minister for Foreign Affairs and of the President of the Commission.

The Secretary-General of the Council will make the necessary arrangements to provide secretarial support for the Conference.

5. The European Parliament will be closely associated with the work of the Conference so that it is both briefed regularly and in detail on the progress of the discussions and can give its point of view, where it considers this necessary, on all matters under discussion. The detailed arrangements for such association will be determined by the Ministers for Foreign Affairs in line with the provisions which apply to the review of the Treaties.

6. The representatives of those countries of Central and Eastern Europe which have concluded Europe Agreements, and of Malta and Cyprus, will be briefed regularly on the progress of discussions and will be able to put their points of view at meetings with the Presidency of the European Union to be held, in principle, every two months. The European Economic Area and Switzerland will also be briefed.

PART B

Annex 1 — Economic and monetary union

The scenario for the changeover to the single currency

I.49. 1. At its meeting in Cannes on 27 June 1995, the European Council requested the Ecofin Council to define, in consultation with the Commission and the European Monetary Institute (EMI), a reference scenario for the changeover to the single currency and to report back to the European Council at its meeting in December 1995 in Madrid with a view to its adoption.

2. Since the entry into force of the Treaty on European Union ('Maastricht Treaty'), particularly since the start of stage two of the process of moving to an economic and monetary union, the Member States, the European bodies and representatives of many private organizations have been studying the different aspects of the changeover. Preparations have now reached a level which allows the presentation of a reference changeover scenario containing clearly defined measures to be implemented within pre-set dates or deadlines.

3. The preparations under way are guided by the overriding Treaty objective to create a stable single currency. One precondition for this is to achieve a high degree of convergence of economic performance before locking exchange rates irrevocably. A strict application of the convergence criteria in assessing which Member States fulfil the necessary conditions for the

adoption of a single currency will establish confidence in the new currency and convince the public at large as well as markets that it will be strong and stable. After moving to stage three of economic and monetary union, convergence will have to be maintained. In particular public finances must be kept on a sound track in line with Treaty obligations. Therefore work has to be done on ways to secure budgetary discipline among participants in the Euro area in accordance with the procedures and the principles of the Treaty. In addition, the future relationship between the Member States participating in the Euro area and the others will need to be defined prior to the move to stage three with a view, *inter alia*, to safeguarding monetary stability within the single market.

4. The removal of uncertainties requires careful technical preparation of the move to stage three. This preparation will also contribute to public acceptability of the new currency. The changeover scenario presented below has been defined in consultation with the Commission and the EMI and has benefited from the Commission's Green Paper and the EMI report on the changeover to the single currency. It is in line with the timetable, procedures and criteria laid down in the Treaty. It provides for transparency, strengthens credibility and underlines the irreversibility of the process. It is technically feasible and aims to provide for the necessary legal certainty, to minimize adjustment costs and to avoid competitive distortions. The changeover scenario, by announcing concrete measures to be taken within a clear timetable, offers the users of money the information necessary for them to adapt to the introduction of the single currency. The scenario is compatible with the EMI report on the changeover.

5. This changeover scenario is based on 1 January 1999 as the starting date for the third stage. The steps to be taken during the different stages of the changeover process are presented below and summarized in the annexed tables, which set out the timing and the various dates and deadlines for the participating Member States.

6. The Council in the composition of Heads of State or Government will confirm which Member States fulfil the necessary conditions for the adoption of the single currency. The date of this decision marks the beginning of an interim period prior to the entry into stage three, during which decisions are to be taken to complete the preparations. On the one hand, the magnitude of the workload would suggest that this interim period lasts for about one year; but, on the other, the Heads of State or Government should base their decision on participating Member States on the most recent and reliable actual data for 1997. Thus, special efforts will be made so that the Heads of State or Government make their decision as soon as possible in

1998. Advance preparation will help to ensure that all the necessary measures will be in place for the start of stage three of economic and monetary union. Several of these measures fall within the competence of the European Central Bank (ECB).

7. The ECB will have to be created early enough so as to allow preparations to be completed and full operation to start on 1 January 1999. Therefore, as early as possible in this interim period, the Council and the participating Member States will have to adopt a number of legal provisions and to appoint the Executive Board of the European Central Bank. As soon as the Executive Board of the ECB is appointed, the ECB and the European System of Central Banks (ESCB) will be established. The decision-making bodies of the ECB will decide on, implement and test the framework needed for the ESCB/ECB to perform its task in stage three.

8. Stage three of economic and monetary union will start on 1 January 1999, with the irrevocable fixing of conversion rates among currencies of participating countries and against the Euro and with the single monetary policy which will be defined and implemented by the ESCB in Euro. The ESCB will encourage the use of the Euro in the foreign exchange markets; its operations in these markets will be effected and settled in Euro. The payments system's infrastructure needs to be in place so as to ensure the smooth functioning of an area-wide money market based on the Euro. National central banks could provide conversion facilities for those financial institutions which have not been able to equip themselves with such facilities to translate amounts from Euro into national monetary units and vice versa.

9. A Council Regulation entering into force on 1 January 1999 will provide the legal framework for the use of the Euro. From that date, the Euro will be 'a currency in its own right' and the official ecu basket will cease to exist. This Regulation will have the effect that the national currencies and the Euro will become different expressions of what is economically the same currency. As long as different national monetary units still exist, the Council Regulation will establish a legally enforceable equivalence between the Euro and the national currency units ('legally enforceable equivalence' means that each monetary amount is assigned, in a legally enforceable way, an unchangeable countervalue in terms of the Euro unit at the official conversion rate and vice versa). For the period before the deadline set for the completion of the changeover, the Regulation will ensure that private economic agents will be free to use the Euro; at the same time they should not be obliged to do so. As far as possible, they should be allowed to develop their own mechanisms of adjustment to the changeover; however, the implementation of these principles should take into account market practices in terms of standardization. The Regulation will also provide that national banknotes will continue to remain legal tender within the boundaries of the respective national

territories until the completion of the changeover to the single currency. The technical preparatory work for this Regulation shall be completed at the latest by the end of 1996.

10. The substitution of the Euro for national currencies should not of itself alter the continuity of contracts; amounts expressed in national currency will be converted into Euro at the rate of conversion laid down by the Council. In the case of fixed interest rate securities and loans, this substitution will not of itself alter the nominal interest rate payable by the debtor unless otherwise provided in the contract. In the case of contracts denominated by reference to the official ecu basket of the European Community, in accordance with the Treaty, substitution by the Euro will be at the 1:1 rate, subject to the particular terms of individual contracts.

11. New tradeable public debt will be issued in Euro by the participating Member States as from 1 January 1999. By 1 July 2002 at the latest, public debt denominated in the former national currencies will be redeemable only in the single currency.

12. The generalization of the use of the Euro for public sector operations will occur in all participating Member States at the latest when the Euro banknotes and coins are fully introduced. The time frame will be laid down in Community legislation and might leave some freedom to individual Member States.

13. The public authorities are invited to set in hand the arrangements for planning the adaptation of their administration to the Euro.

14. By 1 January 2002 at the latest, Euro banknotes and coins will start to circulate alongside national notes and coins. Euro notes and coins will have legal tender status. In line with the increasing circulation of Euro notes and coins, national notes and coins will be withdrawn. Member States should endeavour to keep this period of dual circulation of national and Euro notes and coins to the minimum. In any event, national notes and coins will cease to be legal tender at the latest six months after the introduction of Euro notes and coins. By that deadline, the changeover will be complete. Thereafter, national banknotes and coins may still be exchanged free of charge at the national central banks.

The changeover to the single currency — Chronological sequence of events

December 1995 up to the decision on participating Member States

Timing	Actions to be taken	Responsibility
December 1995	Adoption of the changeover scenario, including announcement of the deadline for the completion of the changeover (1 July 2002) and the name for the new currency	European Council
31 December 1996	Specification of the regulatory, organizational and logistical framework for the ECB/ESCB to perform its tasks in Stage 3 Preparation of legislation related to the ECB/ESCB and to the introduction of the single currency	EMI Commission, EMI, Council
Before the decision on participating Member States	Conformity of national legislation ¹	Member States

¹ The Commission and EMI reports under Article 109j(1) shall include an examination of the compatibility between each Member State's national legislation, including the statutes of each national central bank, and Articles 107 and 108 of the Treaty and the Statute of the ESCB (Article 108 provides that national legislations must be compatible with the Treaty and the Statute of the ESCB at the latest at the date of the establishment of the ESCB).

From the decision on participating Member States to 1 January 1999

Timing	Actions to be taken	Responsibility
As soon as possible in 1998	Decision on participating Member States	Council ¹
As soon as possible after the decision on participating Member States	(i) Appointment of Executive Board of the ECB (ii) Set the day for the introduction of Euro banknotes and coins (iii) Start production of Euro banknotes (iv) Start production of Euro coins	Member States ² ECB, Council ³ ESCB Council and Member States ³
Before 1 January 1999	Final preparation of the ECB/ESCB (i) Adoption of secondary legislation, including: ● key for capital subscription; ● collection of statistical information; ● minimum reserves; ● consultation of ECB; ● fines and penalties on undertakings. (ii) Rendering the ECB/ESCB operational (setting up the ECB; adoption of regulatory framework; testing monetary policy framework; etc.).	Council ECB/ESCB

¹ In the composition of Heads of State or Government (Article 109j(4)).

² Governments of participating Member States at the level of Heads of State or Government by common accord (Article 109l(1)).

³ Participating Member States (Articles 105a(2) and 109k(4)).

From 1 January 1999 to 1 January 2002 at the latest

From start of Stage 3 to introduction of Euro banknotes and coins

Timing	Actions to be taken	Responsibility
1 January 1999	Irrevocable fixing of conversion rates and entry into force of legislation related to the introduction of the Euro (legal status, continuity of contracts, rounding, etc.)	Council ¹
From 1 January 1999	(i) Definition and execution of the single monetary policy in Euro (ii) Conduct of foreign exchange operations in the Euro (iii) Operation of target payment system (iv) Issue new public debt in Euro	ESCB ESCB ESCB Member States

Conclusions of the Presidency

Timing	Actions to be taken	Responsibility
1 January 1999 to 1 January 2002 at the latest	(i) Exchange at par value of currencies with irrevocably fixed conversion rates (ii) Monitor changeover developments in the banking and finance industry (iii) Assist the whole of the economy in an orderly changeover	ESCB ESCB and public authorities in Member States and the Community ESCB and public authorities in Member States and the Community

¹ Unanimity of the participating Member States.

From 1 January 2002 to 1 July 2002 at the latest Completion of the changeover

Timing	Actions to be taken	Responsibility
1 January 2002 at the latest	(i) Start circulation of the Euro banknotes and withdrawal of national banknotes (ii) Start circulation of the Euro coins and withdrawal of national coins	ESCB Member States ¹
1 July 2002 at the latest	(i) Complete changeover in the public administration (ii) Cancel the legal tender status of national banknotes and coins	Member States; ¹ Council; ESCB

¹ Participating Member States.

Annex 2 — Employment

Implementation of the European Union's approach in the employment field

The fight against unemployment must remain the top priority for the EU

1.50. As restated by the European Councils in Essen and Cannes, the fight against unemployment and for equal opportunities remains the most important task facing the European Union and its Member States.

This report from the Council and the Commission is intended to fulfil the mandate given to the latter by the European Council to report on measures taken and progress made by the Member States in implementing

the Essen guidelines. Recent developments in terms of policy and coordination have demonstrated the value of the agreements reached at the 1994 Essen and 1995 Cannes summits, which have led to major efforts being deployed by Member States as far as both macroeconomic and structural policies are concerned.

Unemployment in the EU has come down from its mid-1994 record level of 11.4% and is now 10.5%, concerning nearly 18 million people. This unacceptably high level of unemployment affects almost all Member States. It is the result mainly of a lack of sustained economic growth over a number of years, rigidities in the product and services markets due to over-regulation and insufficient competition, and a mismatch between the skills offered by the labour force and the changing needs of the labour market due to technological and productivity developments, causing a disparity between total labour cost and productivity.

The European Council in Essen 1994 agreed to a common effort to launch and strengthen a structural reform process to improve the functioning of labour markets. In this way the capacity of the economy to create new jobs and new resources should be enhanced. The structural policies themselves have a role in creating growth and employment by making higher levels of employment possible without adverse inflationary pressures. However, such structural policies will have their full effect only when supported by a stability-oriented macroeconomic policy that stimulates investment and new jobs. Satisfactory economic growth is necessary to reduce unemployment.

There are clear indications that a large part of unemployment is becoming structural in nature, characterized by a lengthening of unemployment periods, and by its particularly severe impact on certain categories: the low-skilled, young people and women. The Council and the Commission therefore believe that it is now time to consider a further concentration of efforts, in the framework of the Essen employment strategy, on:

- integrating young people into working life,
- preventing long-term unemployment,
- achieving equal opportunities for men and women in working life.

The current economic context offers a window of opportunity

1.51. A process of macroeconomic recovery has been under way for the last few years. The overall performance of the main factors affecting economic activity is generally positive and offers a window of opportunity for pursuing employment policies:

- Europe now has inflation averaging 3% – better than in recent decades – and inflation expectations are low;
- nominal wage increases are below 4% and real unit labour costs are clearly decreasing;
- Europe's industry is performing well on world markets; exports are now stronger than imports; extra-EU trade gives a surplus of about 1% of GDP; over the last few years, the EU has maintained or strengthened its position on fast growing markets;
- the profitability of Europe's industry is now back at levels not registered since the 1960s, but real interest rates continue to be high in most countries;
- public finances have improved thanks both to economic growth and to decisions taken in the framework of the convergence programmes; public deficits are expected to be reduced further in 1996.

The present temporary slowdown in activity shows the need to pursue fully the strategy of a stability-oriented macroeconomic policy. At present, economic fundamentals for continued and stronger growth

are in place and should be fully exploited to undertake the structural reforms that are needed to improve the EU's employment performance.

The Essen guidelines for employment have led to major efforts at all levels

1.52. At the level of the Member States, major efforts have recently been deployed, resulting in multiannual national programmes being adopted which give a coherent presentation of the principal existing or planned measures for implementation of the employment strategy provided for at Essen.

The multiannual programmes have been the subject of wide-ranging internal debates. Their preparation encouraged dialogue between administrations responsible, respectively, for employment or social affairs and for economic and budgetary policy. In some cases, management and labour were involved. This broad consultation process is in itself a major achievement of the Essen strategy.

A variety of measures have been taken to implement the five priorities for labour market policy identified at Essen. These were the subject of detailed reports by the Commission and the Council. The efforts made in the following areas were particularly significant:

- the initial training of young people, special training for the unemployed and the encouragement of continuing training;
- making the legal framework of the organization of work more flexible, and measures which link flexibility or reduction of working time to the maintenance or creation of jobs;
- taking into account the geographical dimension of employment by mobilizing local actors and promoting local employment initiatives;
- decentralizing the wage-negotiation process;
- reducing indirect labour costs, particularly for certain categories and for the low-paid;
- reinforcing the effectiveness of the public employment services;
- revising the unemployment benefit systems and their relationship with support schemes, in order to strengthen the incentive to work;
- setting up arrangements to help young people without basic training or experience to catch up through access to appropriate training or work experience;
- occupational reinsertion for the long-term unemployed through training, placement guidance, promoting local employment opportunities or recruitment subsidies.

Management and labour reiterated their support both for the broad economic policy guidelines as well as for the priorities laid down in the field of structural labour market policy. They played a key role in the

implementation of the recent measures in these areas, in particular through agreements on training, the organization of work and working time, wage moderation and the occupational insertion of particular categories in difficulty, and they have committed themselves to strengthening their efforts in those directions.

The added value of the European Union in the implementation of the Essen strategy is illustrated by the intensification of exchanges of information and experience between Member States, within the framework of the Economic and Financial Questions Council and the Social Affairs Council, in collaboration with the Commission. Progress has been made towards enhanced coordination of macroeconomic and structural policies.

Moreover, programmes adopted in partnership between Member States and the European Commission to make use of Structural Funds in the 1994-99 period provide a useful contribution to the implementation of the Essen priorities.

There has been a more thorough approach to understanding certain specific aspects of employment policies

1.53. In response to the requests of the European Council, the Council and the Commission undertook a thorough examination of certain aspects of employment policies.

The effects of tax and support systems on the readiness both to create and to take up jobs and the relationship between economic growth and the environment were examined by the Ecofin Council and the Commission.

At the Cannes summit, the European Council emphasized the fact that the European Union, as an economic entity, offered an additional margin for manoeuvre and specific added value to permit permanent employment to be created. An initial analysis of the mutual benefits which could accrue from closer coordination of macroeconomic and structural policies was undertaken by the Commission and a final report will be presented to the European Council in 1996.

The European Council also emphasized the contribution of small and medium-sized enterprises to employment and asked for an examination of the policies applied to them and ways of improving their effectiveness. The Commission has prepared a report on this subject.

Conclusions and policy guidelines

1.54. 1. The Madrid European Council should give new impetus to, and make further progress in developing and putting into practical effect, the strategy defined at Essen and confirmed in Cannes.

2. This employment strategy, in particular with respect to the five main areas of action on the labour market, provides and will continue to provide the framework for Member States' multiannual programmes and for the development of their employment policy.

3. The implementation of this strategy is well under way in Member States. Its success depends to a large extent on the mobilization of institutional and economic partners, and management and labour, at all levels, and in particular on the development of an integrated local approach to employment policy.

The involvement and contribution of management and labour in this process is fundamental at all levels, and is welcome at every stage of the implementation of the Essen strategy.

4. An integrated approach to employment policy, based in particular on the link between macroeconomic and structural employment policies, should be pursued and reinforced in such a way as to maximize the mutually beneficial effects of these policies.

5. The reforms taking place must be pushed forward if the current economic recovery is to deliver a decisive improvement in the employment situation in the European Union. The favourable climate created by economic expansion offers a unique opportunity for further progress to be made, with a view both to an increase in the level of employment and to a substantial reduction in structural unemployment. Action must be pursued and strengthened in particular in the following areas:

Supporting the achievement of sound and sustainable growth

□ It is necessary to implement the broad economic policy guidelines with continuity and determination. In particular, wage increases should respect the conditions for price stability and profitability of investment, and budget deficits should be further reduced, dropping in the medium term to well below the Maastricht reference value of 3% of GDP. Such policies should create the conditions for further reductions in real interest rates and an increase in job-creating investments.

Ensuring a better operation of the product and services markets, promoting entrepreneurship and preserving a healthy environment

□ The completion of the internal market must be supported by a vigorous competition policy in order to eliminate excessive rigidities on the product and services markets (for example, on the telecommunications and energy markets). A number of structural constraints must be removed in order to let the poten-

tial for enterprise and employment creation, in particular in the service sector, be exploited to the full.

□ Under stable conditions of economic growth, the contribution of small and medium-sized enterprises to improving the employment situation must be maximized by adjusting the existing legal, fiscal and financial environment better to their specific needs, and by encouraging them to invest in training.

□ In order to exploit the job-creation potential of environmental protection, these policies should – to a greater extent than at present – rely on market-based instruments, including fiscal ones. Public authorities should also promote long-term investment in environment friendly technologies in major sectors such as energy, transport and agriculture.

Implementing the five Essen priorities for the reform of labour markets

The implementation of the five Essen priorities will be pursued and reinforced through the multiannual programmes, with emphasis being placed on the following.

□ Further improvements to investment in training should be made: priority should be given to enhancing the employability of unemployed persons, in particular low-skilled, inexperienced labour, and to reducing the skill mismatch on the labour market by providing training better adapted to the changing needs of the labour market and promoting in-company training. A relatively stable workforce in the enterprise will contribute to enhancing the efficiency of these measures.

□ Good practices in reorganizing work and working hours should be better developed and disseminated. They should lead to an increase in employment, and measures should be taken to upgrade the jobs concerned.

□ Local development initiatives should be encouraged, by seeking the active involvement of local authorities and local players, and by improving the legal, tax and financial conditions for the development of new areas of employment.

□ Maintaining wage moderation, encouraging the present trend for more flexible wage bargaining and making wage structures more closely related to productivity has been possible as a result of the efforts of management and labour. It is advisable to maintain and intensify this effort within the framework of the broad economic policy guidelines in order to create the highest possible number of jobs.

□ Governments, within the available margin of manoeuvre to preserve fiscal stability, should aim to reverse the tendency of the last few years to increase the taxation of labour. The tax regime on lower income levels should be reviewed in order to remove unwarranted barriers to work resulting from regressive tax schedules in both income tax and social security contributions.

The impact on employment of targeted reductions in social security contributions should be evaluated. Targeting should be used primarily to promote the hiring of disadvantaged labour, to foster the creation of jobs, especially in the new social and local domains, and to encourage businesses to recruit more staff.

□ The transformation of passive labour market policies into active ones should be pursued and strengthened, especially for particularly disadvantaged categories, in order to improve their employability and the incentive for employers to hire them. To that end, employment services should be enhanced in order to better perform their job brokerage function, in which elements of competition can be helpful. The provision of information to jobseekers and employers should be intensified. Technical or financial assistance for the active search for work should be provided.

In addition, unemployment benefit systems must continue to be improved in order to remove undue disincentives to work, while maintaining a high level of social protection. Closer controls on people's availability for work should be enforced. Welfare schemes neighbouring unemployment protection schemes should be reviewed in order to prevent hidden transfers of unemployed persons across welfare schemes.

□ Efforts should be intensified regarding action in favour of groups particularly hard hit by unemployment:

□ young people: Member States and management and labour should ensure a proper pathway to their integration on the labour market; *all* young people should be provided with the level of education, training and work experience needed to make them employable;

□ the long-term unemployed: Member States and management and labour should engage in a more active policy for the prevention of long-term unemployment; *all* unemployed people should have the opportunity of retraining or reintegration *before* reaching the point of long-term unemployment.

Older workers should be given a chance to make full use of their work experience and potential. They should have the opportunity to undertake training and be encouraged to do so.

□ women: through the promotion of equal opportunities in the context of all public policies affecting employment, an active policy of desegregation of the labour market using a renewed approach to part-time working as a transitional measure, and the reconciliation of family and working life for men and women.

6. The Structural Funds should be used more systematically as a support mechanism for promoting the Essen strategy.

Follow-up

7. The exchanges and cooperation which have developed at Community level in the follow-up to the Essen conclusions demonstrate the added value of a Community strategy and of dialogue on employment.

In order to facilitate this approach, a stable structure should be established to assist the Social Affairs Council on employment matters, in partnership with the Economic Policy Committee.

The analysis of employment-related policies is an essential tool in this process and it is recommended that a series of common indicators, based on harmonized statistical data and on further qualitative criteria, should be developed from 1996 to support this analysis.

This process should be further developed in the coming years, in particular through the national multiannual programmes.

The European Council meeting to be held at the end of 1996 should be an opportunity to review the progress made on the above policy recommendations, on the basis of a joint report from the Ecofin and Social Affairs Council and the Commission, with a view to further enhancing cooperation in this area. Special attention should be given in this respect to young people, the long-term unemployed and equal opportunities.

Annex 3 — Terrorism

La Gomera Declaration

I.55. The text of this Declaration was published in full in Bull. 11-1995, point 1.5.10.

Annex 4 — Combating racism and xenophobia

1. Proceedings of the Consultative Commission on Racism and Xenophobia

I.56. The Consultative Commission was instructed by the European Council to go on from its discussions to study, in close cooperation with the Council of Europe, the feasibility of a European Monitoring Centre on Racism and Xenophobia.

At four meetings over the second half of 1995, the Consultative Commission, chaired by Mr J. Kahn, looked into both the scientific and technical and the legal and institutional aspects of the prospective European Monitoring Centre.

Following its proceedings, the Consultative Commission has submitted an interim report to the European Council meeting in Madrid (12008/95 RAXEN 58). The report outlines the tasks of a Monitoring Centre and the arrangements envisaged as regards the pos-

sible legal basis for it. The Consultative Commission hopes to complete its study for the European Council meeting in June 1996.

2. Proceedings in the Justice and Home Affairs Council

(a) Judicial cooperation

I.57. Acting on a proposal from the Presidency, the Council considered a draft joint action on the basis of Article K.3 of the Treaty on European Union, concerning action to combat racism and xenophobia. The draft sets out to facilitate international judicial cooperation in combating racism and xenophobia with provision either for certain racist or xenophobic behaviour to be made a criminal offence or, failing that and pending any adoption of the necessary legislation, for the principle of double criminality to be waived. The issue of the form of legal instrument and its binding nature and the other issues still outstanding will be referred to the European Council in Madrid (12089/95 Justpen 163).

(b) Police cooperation

I.58. On the basis of the conclusions of the Toledo seminar on police training as regards racism and xenophobia (from 6 to 8 November 1995), the JHA Council instructed the appropriate bodies to prepare an instrument, under Title VI of the Treaty on European Union, in order to improve the training of instructors at police training colleges, improve basic police training and make possible a continuing training module aimed at a better understanding and an analysis of racism and xenophobia so as to prepare suitable responses on the ground (11727/95 Enfopol 148).

In early December, a European conference on multicultural society is to be held in Amsterdam.

3. Proceedings in the Labour and Social Affairs Council

I.59. Acting on a proposal from the Presidency, on 5 October 1995, the Council and the Representatives of the Governments of the Member States, meeting within the Council, adopted the resolution on the fight against racism and xenophobia in the fields of employment and social affairs (9935/95 SOC 310 RAXEN 42).

The resolution calls upon Member States to take measures so as better to:

- protect persons against discrimination;
- fight employment discrimination;
- stimulate cooperation and the exchange of experience between Member States on working methods and arrangements to promote social cohesion;

- develop respect for diversity and equality of human beings as well as the spirit of tolerance;
- develop instruments of self-regulation, such as codes of conduct, for media professionals.

4. Proceedings in the Education Council

1.60. Acting on a proposal from the Presidency, on 23 October 1995, the Council and the Representatives of the Governments of the Member States, meeting within the Council, adopted the resolution on the response of educational systems to the problems of racism and xenophobia (10621/95 EDUC 76 RAXEN 49). The resolution highlights the leading role to be played by education in preventing and eliminating prejudice and racist and xenophobic attitudes.

Member States are called upon, *inter alia* to promote educational and curricular innovations which contribute to the development of concepts such as peace, democracy, respect and equality between cultures, tolerance and cooperation.

The Commission, in cooperation with the Member States, is called upon to:

- ensure coherence among all Community programmes which promote education and training aspects of the struggle against racism and xenophobia;
- exploit the parts of the Socrates programme involved with the problems concerned in order to encourage schools partnerships, exchanges of experience on intercultural matters and teacher training;
- ensure that, in the field of education, appropriate cooperation in combating racism and xenophobia is achieved between the Community and international organizations, especially the Council of Europe.

Annex 5 — Fraud

Ecofin Council conclusions on the comparative analysis of the reports supplied by the Member States on national measures taken to combat wastefulness and the misuse of Community resources

1.61. A. On the basis of the reports drawn up by the Member States in accordance with the conclusions of the Essen European Council, and further to the request by the Cannes European Council and to the request made by the Ecofin Council on 11 July 1994, the Commission has taken stock of progress in applying Article 209a of the EC Treaty and made a comparative analysis of national measures taken to combat wastefulness and the misuse of Community resources.

The Council thanks the Commission for the substantial comparative-analysis and summarizing work it has carried out and emphasizes the fact that this constitutes a progress report to be used as a basis for further discussions.

Although the principle of assimilation has been affirmed in most of the Member States' reports, this comparative analysis does indicate lines of study for future discussions in a number of areas where progress still seems to be needed.

1.62. B. To achieve such progress, and in keeping with the Ecofin Council's conclusions of 19 June 1995, the Council considers that the discussion should proceed in 1996 in accordance with the following guidelines, having due regard for the respective powers of the Community and the Member States and for the Member States' constitutional structures:

1. At Member State level

- ensure suitable protection for Community expenditure and revenue, in the context of an overall approach to the fight against the waste and misuse of Community resources (where necessary, strengthening prevention by, among other things, improving the organization of administrative departments, effectively applying administrative penalties, incorporating into national law the Convention on the Protection of the European Communities' financial interests);
- examine the possibility of developing specialized anti-fraud structures that are multidisciplinary and independent of the managers of appropriations;
- assess the reliability of national monitoring systems by means of regular and systematic audits;
- improve the density and homogeneity of information on the results of the anti-fraud campaign, including information on the recovery of Community resources, in order to meet the notification requirements laid down in Community legislation;
- take the necessary measures to ensure that the inspections carried out by the Member States and the penalties they impose make it possible to achieve a level of protection for the Communities' financial interests that is identical throughout the territory of the Community;
- improve administration cooperation, operational links between departments responsible for investigating serious and complex fraud, the resources and powers of inspection of the relevant departments, and mutual assistance in the matter of recovery;
- reinforce the procedures for recovering amounts involved in fraud.

2. At Community level

- ask the Commission to study with the Member States the points on which the analysis of national reports could usefully be supplemented (for example,

the 'prevention' aspect, the question of transactions, the results of inspections and the action taken where fraud is detected, including recovery);

□ encourage the introduction of inspection arrangements that will ensure a level of protection for the Communities' financial interests that is identical throughout the territory of the Community and in all areas covered by the Community budget, in the framework of the Council's common approach concerning protection of the financial interests of the European Communities;

□ improve and augment the arrangements for Community administrative penalties in the context of the aforementioned common approach;

□ study the necessary simplifications and adjustments to the relevant legislation so as to define more precisely the conduct required of economic operators (for example, consolidation of legislation);

3. In partnership

□ analyse in more detail the fraud and irregularities that have been detected, in consultation between the Commission and the Member States, so as to give focus to the action and create operational databases;

□ step up the cooperation provided for in the second paragraph of Article 209a by making best use of the evaluative and incentive skills of the Advisory Committee for the Coordination of Fraud Prevention (Cocolaf), *inter alia* by making it responsible for the additional work necessary for the follow-up to the national reports and the comparative analysis with regard to the aspects covered by the EC Treaty;

□ make financial management more rigorous by continuing the work already begun by the Commission under its programme to improve financial management;

□ in the context of greater cooperation between Member States and the Court of Auditors, give an appropriate response to the Court's observations;

□ in the context of cooperation between Member States and the Community institutions, encourage the consistency of inspections and avoid any unjustified duplication of inspections concerning the same facts, in compliance with the principle of 'cost-effectiveness', among other things through the adoption of protocols between the Member States and the Commission.

Annex 6 — Enlargement

Relations with the associated countries of Central and Eastern Europe in the second half of 1995

1.63. The second half of 1995 saw continuing implementation of the pre-accession strategy for the countries of Central and Eastern Europe defined at the

Essen European Council on 9 and 10 December 1994 and an intensification of the Union's bilateral relations with the partner countries.

Several ministerial meetings, both bilateral (association agreements) and multilateral (structured dialogue) were held, at which important issues were discussed, confirming the soundness of the approach adopted and witnessing to vigorous and flourishing reciprocal relations.

The associated countries' oft-repeated desire to be anchored to the European Union was reflected in the four new membership applications submitted in 1995, adding to those made by Hungary and Poland in 1994.

The Council accordingly decided, on 17 July 1995 for Romania and Slovakia, on 30 October 1995 for Latvia and on 4 December 1995 for Estonia, to put in hand the procedures under Article O of the Treaty on European Union for consulting the Commission and obtaining the assent of the European Parliament.

I. Bilateral relations

1.64. Following the entry into force of the Europe Association Agreements with Bulgaria, Romania, Slovakia and the Czech Republic, and the first Association Council meetings with these four partners in the first half of 1995, the Association Councils with Hungary and Poland held their second meetings on 17 July 1995. In addition to overall consideration given to the state and prospects of bilateral relations under the Europe Agreements, the Association Councils with Hungary and Poland each devoted a substantial part of its proceedings to two particularly important subjects: the one, progress in the process of integrating the partner country into the European Union under the pre-accession strategy and the other, regional cooperation and the partner's good-neighbourly relations with other countries of the region.

Moreover, within the specific institutional framework of each Association Agreement, the Association Committees with the Czech Republic, Romania and Bulgaria met on 14 and 15 September, 12 and 13 October and 9 and 10 November 1995 respectively, enabling progress to be made in implementing the Europe Agreements.

Lastly, in the period under review Parliamentary Association Committees held meetings with Poland on 5 and 6 September, with Bulgaria from 6 to 8 September, with Romania on 16 and 17 September, with Slovakia on 23 and 24 November and with Hungary on 28 and 29 November; there were also interparliamentary meetings with Lithuania (20 November), Latvia (22 November) and Estonia (24 November). These meetings, marked by frank and open discussion of important issues such as the process of integrating the associated countries with a view to accession, were an opportunity for the European Parliament to strengthen its links with the associated countries' parliaments.

II. Structured dialogue

I.65. Implementation of the structured dialogue defined in Essen continued apace during the second half of 1995, with the invitation to the Heads of State or Government of the associated countries to meet alongside the Madrid European Council being the high point of the process. Several ministerial meetings were held in the framework of the structured dialogue: Justice and Home Affairs on 25 September; Agriculture on 26 September; Transport on 28 September; Education on 23 October; Economic and Financial Questions on 23 October; Foreign Affairs on 31 October; Internal Market on 23 November.

□ The subjects discussed at the meeting of Justice and Home Affairs Ministers covered the adaptation of the legal system, police training, questions relating to organized crime (drug trafficking, money laundering, traffic in vehicles) and illegal immigration. In addition, a joint action programme for judicial cooperation to combat international organized crime was outlined.

□ The Agriculture Ministers held a general exchange of views, which established the state of play regarding development of the common agricultural policy and the situation and prospects of the farming sector in the associated countries. After the ministers of the associated countries had set out their ideas and priorities, the Commission commented on the development of agricultural policies in a global perspective and in the perspective of enlargement. The Commission will present a report to the Madrid European Council on the alternative strategies available in the agricultural sector in the context of accession.

□ The meeting of Transport Ministers focused on three questions: the integration process in the transport sector, a process based on a twofold strategy involving opening the market in tandem with legislative alignment; the associated countries' transport infrastructures, for which it was jointly considered that priority projects needed to be defined; integrated transport systems, the development of which required a common approach, involving the participation of the associated countries in Community programmes and activities. On this last point, the Commission was asked for the next meeting to explore – on the basis of the additional protocols to the Europe Agreements – the scope and arrangements for such participation, with particular reference to the funding of infrastructure projects.

□ The Education Ministers examined the question of the associated countries' participation in the Community programmes Socrates, Leonardo and Youth for Europe III, recently adopted by the Council for the period 1995-2000. The European Union noted the interest shown by the associated countries in participating in these programmes, their priorities, and the specific preparatory measures taken by each country. The associated countries' participation in these programmes could serve as an experiment and an example for participation in other Community programmes.

□ The Ministers for Economic Affairs and Finance discussed the reform of the financial sector, focusing on questions linked to reform of the banking sector and more specifically on banking supervision and bank privatization. Another major topic of discussion was the development of capital markets and the liberalization of capital movements. These detailed discussions gave the associated countries an opportunity to describe the progress that had already been made in these areas and to highlight those where closer cooperation was needed to enable them to press ahead with the process of integrating into the Community's internal market.

□ The meeting of Foreign Affairs Ministers, which had been prepared by Coreper and the Ambassadors of the associated countries, dealt first with the PHARE programme and its future role as a financial instrument in the strategy for preparing the associated countries for accession. Topical foreign policy issues, significant for Europe's stability, were also discussed: these included the situation in the former Yugoslavia and the challenges of rebuilding the region; various aspects of the Middle East peace process relating to consolidating peace and assisting the new Palestinian Authorities in the difficult tasks which lie ahead. Other important issues were discussed at a working lunch, namely: relations between the European Union and the United States, preparations for the 1996 Intergovernmental Conference and the conduct of the structured dialogue, a subject on which some associated countries put forward suggestions.

□ Lastly, the Ministers responsible for the internal market examined questions arising from implementation of the White Paper on the preparation of the associated countries for integration into the internal market, which the Commission presented to the Cannes European Council. These discussions, which are one further step in a lengthy and complex process, are designed to guide the technical discussions under way in this area and to maximize their outcome.

III. CFSP

I.66. The enhanced political dialogue with the associated countries of Central and Eastern Europe, as established by the Council Decision of 7 March 1994, continued unstintingly in the second half of 1995. It is to be noted that Cyprus and Malta joined the process further to a Council Decision of 17 July 1995.

In addition to the meeting of Foreign Affairs Ministers on 31 October, a meeting of political directors was held on 20 October 1995. At that meeting, which was attended for the first time by the Baltic countries, the political directors took stock of the dialogue's operation and considered how it could be further consolidated and strengthened.

Following that meeting, the Political Committee adopted new guidelines for strengthening the political

dialogue with the associated countries of Central and Eastern Europe, Cyprus and Malta.

Troika or plenary meetings of experts were held in the following areas: terrorism, (13 July), the United Nations (7 September), disarmament (12 September), security (19 September), OCSE (22 September), nuclear non-proliferation (26 September), chemical and biological non-proliferation (4 October), drugs (13 October), conventional arms exports (23 October), human rights (24 October), former Yugoslavia (17 November), Central Europe and Central Asia (22 November).

Coordination in third country capitals and within international organizations is developing well, in particular in the United Nations and its First Committee. A similar development was noted at the recent Conference on revision of the 1980 Convention, the 'inhumane weapons' Convention.

The associated countries have moreover endorsed an increasing number of declarations published by the Presidency on behalf of the European Union.

IV. Specific aspects

1.67. In accordance with the conclusions of the Essen European Council, negotiations are under way on adapting the agricultural sections of the Europe Agreements further to enlargement and to the conclusion of the Uruguay Round, and with a view to developing commercial relations with these countries. On 4 December 1995, the Council adopted additional directives to those already given the Commission in March; these additional directives relate to flexibility in tariff quotas granted by the European Union and an increase in those quotas.

In the same context, on 8 August, with the aim of avoiding any, even temporary, disruption in traditional trade flows, the Council adopted autonomous measures for 1995 concerning certain agricultural concessions under the Europe Agreements, in order to take account of the agreement on agriculture concluded under the Uruguay Round Multilateral Trade Negotiations. These autonomous measures, adopted on a basis of reciprocity and in compliance with the standstill principle, join two earlier series of autonomous measures which the Council adopted to take account of enlargement. In addition, a draft Regulation now under examination in the Council's subordinate bodies is designed to replace the three existing Regulations covering autonomous measures with a consolidated instrument effective from 1 January 1996.

Annex 7 — Declaration on former Yugoslavia

1.68. The conflict in former Yugoslavia remains the most difficult test for the transition from a divided Europe to a new Europe based on shared values of de-

mocracy, tolerance and respect for human rights. The European Council welcomes with the greatest of satisfaction, as a major step, the signing of the peace agreement for Bosnia and Herzegovina in Paris on 14 December 1995.

The establishment of peace in Bosnia and Herzegovina represents an extremely important step forward, not only for the people of former Yugoslavia but also for the international community as a whole. The European Council pays homage to those who have helped achieve that result through their efforts, their solidarity and their resolve. In this connection it welcomes the adoption by the United Nations Security Council of the Resolution giving its support to the peace agreements signed in Paris and implementing their provisions in both civilian and military respects.

It is now for the parties to shoulder their responsibilities in fully implementing the agreement in order to bring an end to the war once and for all.

The European Council reaffirms the European Union's willingness to make a substantial contribution to the implementation of the peace agreement for Bosnia and Herzegovina on the basis of the positions stated in the Council conclusions of 30 October and 4 December 1995. The European Council endorses the conclusions of the London Conference and considers it necessary for the structures established to be set in place as soon as possible.

For the immediate future, the European Council sets the following priorities:

- it affirms the importance and the urgency of the successor States to former Yugoslavia recognizing one another;
- it expresses its concern at the state of uncertainty currently affecting the Serb population of Sarajevo; it reminds the authorities of the Republic of Bosnia and Herzegovina of their responsibility to take the necessary steps so that Sarajevo as a whole can live in safety and restore multi-ethnic co-existence;
- it repeats that the European Union is ready to make a contribution to the implementation of the civilian aspects of the peace agreement; it appeals to the international community also to contribute to that effort as part of equitable burden-sharing;
- it reaffirms the EU's willingness to continue its humanitarian effort in former Yugoslavia as long as is necessary; it also reaffirms the right of refugees and displaced persons to return freely and safely to their homes throughout the territory of former Yugoslavia and to obtain fair compensation as a fundamental right;
- it points to the importance of an urgent solution to the problem in Eastern Slavonia for the entire peace process in the region; it accordingly calls on the parties to continue negotiations in accordance with the basic agreement for the region of Eastern Slavonia,

Baranja and Western Sirmium; it asks the United Nations Security Council to ensure the full implementation of that agreement by adopting a feasible mandate based on the establishment of an effective provisional administration and the deployment of a credible international force equipped with sufficient resources.

While noting the historic importance of the successes achieved in recent weeks, the European Council is fully aware of the magnitude of the task still to be carried out. This is not the time to relax our efforts; on the contrary, it is necessary to show perseverance and courage. The European Council will continue to work in that spirit.

Annex 8 — European Union's strategy for future EU/Russia relations

I.69. The text of this document was published in full in Bull. 11-1995, point 2.2.1.

Annex 9 — European Council Declaration on Russia

I.70. The European Council considers that the holding of parliamentary elections in Russia on 17 December 1995 marks a major step towards consolidating constitutional institutions and anchoring democratic principles in the country's political life.

It hopes that this process, which is to be continued with the holding of presidential elections in 1996, will strengthen respect for human rights and the consolidation of peace, stability and security in Europe, as well as the further building of good relations with the European Union.

To this end, the European Union fully supports Russia's early membership of the Council of Europe and reiterates its resolve to continue its support for the process of democratic and economic reform.

It looks forward to the entry into force on 1 February 1996 of the interim agreement, which will provide a better basis for mutual relations pending early ratification of the partnership and cooperation agreement as soon as possible.

Annex 10 — The new transatlantic agenda

I.71. We, the United States of America and the European Union, affirm our conviction that the ties which bind our people are as strong today as they have been

for the past half century. For over 50 years, the transatlantic partnership has been the leading force for peace and prosperity for ourselves and for the world. Together, we helped transform adversaries into allies and dictatorships into democracies. Together, we built institutions and patterns of cooperation that ensured our security and economic strength. These were epic achievements.

Today we face new challenges at home and abroad. To meet them, we must further strengthen and adapt the partnership that has served us so well. Domestic challenges are not an excuse to turn inward; we can learn from each other's experiences and build new transatlantic bridges. We must first of all seize the opportunity presented by Europe's historic transformation to consolidate democracy and free-market economies throughout the continent.

We share a common strategic vision of Europe's future security. Together, we have charted a course for ensuring continuing peace in Europe into the next century. We are committed to the construction of a new European security architecture in which the North Atlantic Treaty Organization, the European Union, the Western European Union, the Organization for Security and Cooperation in Europe and the Council of Europe have complementary and mutually reinforcing roles to play.

We reaffirm the indivisibility of transatlantic security. NATO remains, for its members, the centrepiece of transatlantic security, providing the indispensable link between North America and Europe. Further adaptation of the Alliance's political and military structures to reflect both the full spectrum of its roles and the development of the emerging European security and defence identity will strengthen the European pillar of the Alliance.

As to the accession of new members to NATO and to the EU, these processes, autonomous but complementary, should contribute significantly to the extension of security, stability and prosperity in the whole of Europe. Furthering the work of Partnership for Peace and the North Atlantic Cooperation Council and establishing a security partnership between NATO and Russia and between NATO and Ukraine will lead to unprecedented cooperation on security issues.

We are strengthening the OSCE so that it can fulfil its potential to prevent destabilizing regional conflicts and advance the prospect of peace, security, prosperity, and democracy for all.

Increasingly, our common security is further enhanced by strengthening and reaffirming the ties between the European Union and the United States within the existing network of relationships which join us together.

Our economic relationship sustains our security and increases our prosperity. We share the largest two-way trade and investment relationship in the world.

We bear a special responsibility to lead multilateral efforts toward a more open world system of trade and investment. Our cooperation has made possible every global trade agreement, from the Kennedy Round to the Uruguay Round. Through the G7, we work to stimulate global growth. And at the Organization for Economic Cooperation and Development, we are developing strategies to overcome structural unemployment and adapt to demographic change.

We are determined to create a new transatlantic marketplace, which will expand trade and investment opportunities and multiply jobs on both sides of the Atlantic. This initiative will also contribute to the dynamism of the global economy.

At the threshold of a new century, there is a new world to shape — full of opportunities but with challenges no less critical than those faced by previous generations. These challenges can be met and opportunities fully realized only by the whole international community working together. We will work with others bilaterally, at the United Nations and in other multilateral fora.

We are determined to reinforce our political and economic partnership as a powerful force for good in the world. To this end, we will build on the extensive consultations established by the 1990 Transatlantic Declaration and the conclusions of our June 1995 Summit and move to common action.

Today we adopt a new transatlantic agenda based on a framework for action with four major goals:

- promoting peace and stability, democracy and development around the world. Together, we will work for an increasingly stable and prosperous Europe; foster democracy and economic reform in Central and Eastern Europe as well as in Russia, Ukraine and other new independent States; secure peace in the Middle East; advance human rights; promote non-proliferation and cooperate on development and humanitarian assistance;
- responding to global challenges. Together, we will fight international crime, drug-trafficking and terrorism; address the needs of refugees and displaced persons; protect the environment and combat disease;
- contributing to the expansion of world trade and closer economic relations. Together, we will strengthen the multilateral trading system and take concrete, practical steps to promote closer economic relations between us;
- building bridges across the Atlantic. Together, we will work with our business people, scientists, educators and others to improve communication and to ensure that future generations remain as committed as we are to developing a full and equal partnership.

Within this framework, we have developed an extensive joint EU/US action plan. We will give special priority between now and our next summit to the following actions:

1. Promoting peace and stability, democracy and development around the world

1.72. We pledge to work boldly and rapidly, together and with other partners, to implement the peace, to assist recovery of the war-ravaged regions of the former Yugoslavia and to support economic and political reform and new democratic institutions. We will cooperate to ensure: (1) respect for human rights, for the rights of minorities and the rights of refugees and displaced persons, in particular the right of return; (2) respect for the work of the War Crimes Tribunal, established by the United Nations Security Council, in order to ensure international criminal accountability; (3) the establishment of a framework for free and fair elections in Bosnia-Herzegovina as soon as conditions permit; and (4) the implementation of the agreed process for arms control, disarmament and confidence-building measures. While continuing to provide humanitarian assistance, we will contribute to the task of reconstruction, subject to the implementation of the provisions of the peace settlement plan, in the context of the widest possible burden-sharing with other donors and taking advantage of the experience of international institutions, of the European Commission and of all relevant bilateral donors in the coordination mechanism.

We will support the countries of Central and Eastern Europe in their efforts to restructure their economies and strengthen their democratic and market institutions. Their commitment to democratic systems of government, respect for minorities, human rights, market oriented economies and good relations with neighbours will facilitate their integration into our institutions. We are taking steps to intensify our cooperation aimed at sharing information, coordinating assistance programmes and developing common actions, protecting the environment and securing the safety of their nuclear power stations.

We are determined to reinforce our cooperation to consolidate democracy and stability in Russia, Ukraine and other new independent States. We are committed to working with them in strengthening democratic institutions and market reforms, in protecting the environment, in securing the safety of their nuclear power stations and in promoting their integration into the international economy. An enduring and stable security framework for Europe must include these nations. We intend to continue building a close partnership with a democratic Russia. An independent, democratic, stable and nuclear weapons-free Ukraine will contribute to security and stability in Europe; we will cooperate to support Ukraine's democratic and economic reforms.

We will support the Turkish Government's efforts to strengthen democracy and advance economic reforms in order to promote Turkey's further integration into the transatlantic community.

We will work towards a resolution of the Cyprus question taking into account the prospective accession of Cyprus to the European Union. We will support the UN Secretary General's Mission of Good Offices and encourage dialogue between and with the Cypriot communities.

We reaffirm our commitment to the achievement of a just, lasting and comprehensive peace in the Middle East. We will build on the recent successes in the peace process, including the bold steps taken by Jordan and Israel, through concerted efforts to support agreements already concluded and to expand the circle of peace. Noting the important milestone reached with the signing of the Israeli-Palestinian Interim Agreement, we will play an active role at the Conference for Economic Assistance to the Palestinians, will support the Palestinian elections and will work ambitiously to improve the access we both give to products from the West Bank and the Gaza Strip. We will encourage and support the regional parties in implementing the conclusions of the Amman Summit. We will also continue our efforts to promote peace between Israel, Lebanon and Syria. We will actively seek the dismantling of the Arab boycott of Israel.

We pledge to work together more closely in our preventive and crisis diplomacy; to respond effectively to humanitarian emergencies; to promote sustainable development and the building of democratic societies; and to support human rights.

We have agreed to coordinate, cooperate and act jointly in development and humanitarian assistance activities. To this end, we will establish a high-level consultative group to review progress of existing efforts, to assess policies and priorities and to identify projects and regions for the further strengthening of cooperation.

We will increase cooperation in developing a blueprint for UN economic and social reform. We will cooperate to find urgently needed solutions to the financial crisis of the UN system. We are determined to keep our commitments, including our financial obligations. At the same time, the UN must direct its resources to the highest priorities and must reform in order to meet its fundamental goals.

We will provide support to the Korean Peninsula Energy Development Organization (KEDO), underscoring our shared desire to resolve important proliferation challenges throughout the world.

II. Responding to global challenges

1.73. We are determined to take new steps in our common battle against the scourges of international crime, drug trafficking and terrorism. We commit ourselves to active, practical cooperation between the US and the future European Police Office, Europol. We will jointly support and contribute to ongoing training pro-

grammes and institutions for crime-fighting officials in Central and Eastern Europe, Russia, Ukraine, other new independent States and other parts of the globe.

We will work together to strengthen multilateral efforts to protect the global environment and to develop environmental policy strategies for sustainable worldwide growth. We will coordinate our negotiating positions on major global environmental issues, such as climate change, ozone layer depletion, persistent organic pollutants, desertification and erosion and contaminated soils. We are undertaking coordinated initiatives to disseminate environmental technologies and to reduce the public health risks from hazardous substances, in particular from exposure to lead. We will strengthen our bilateral cooperation on chemicals, biotechnology and air pollution issues.

We are committed to develop and implement an effective global early warning system and response network for new and re-emerging communicable diseases such as AIDS and the Ebola virus, and to increase training and professional exchanges in this area. Together, we call on other nations to join us in more effectively combating such diseases.

III. Contributing to the expansion of world trade and closer economic relations

1.74. We have a special responsibility to strengthen the multilateral trading system, to support the World Trade Organization, and to lead the way in opening markets to trade and investment.

We will contribute to the expansion of world trade by fully implementing our Uruguay Round commitments, work for the completion of unfinished business by the agreed timetables and encourage a successful and substantive outcome for the Singapore WTO Ministerial Meeting in December 1996. In this context we will explore the possibility of agreeing on a mutually satisfactory package of tariffs reductions on industrial products, and we will consider which, if any, Uruguay Round obligations on tariffs can be implemented on an accelerated basis. In view of the importance of the information society, we are launching a specific exercise in order to attempt to conclude an information technology agreement.

We will work together for the successful conclusion of a Multilateral Agreement on Investment at the OECD that espouses strong principles on international investment liberalization and protection. Meanwhile, we will work to develop discussion of the issue with our partners at the WTO. We will address in appropriate fora problems where trade intersects with concerns for the environment, internationally recognized labour standards and competition policy. We will cooperate in creating additional trading opportunities, bilaterally and throughout the world, in conformity with our WTO commitments.

Without detracting from our cooperation in multilateral fora, we will create a new transatlantic marketplace by progressively reducing or eliminating barriers that hinder the flow of goods, services and capital between us. We will carry out a joint study on ways of facilitating trade in goods and services and further reducing or eliminating tariff and non-tariff barriers.

We will strengthen regulatory cooperation, in particular by encouraging regulatory agencies to give a high priority to cooperation with their respective transatlantic counterparts so as to address technical and non-tariff barriers to trade resulting from divergent regulatory processes. We aim to conclude an agreement on mutual recognition of conformity assessment (which includes certification and testing procedures) for certain sectors as soon as possible. We will continue the ongoing work in several sectors and identify others for further work.

We will endeavour to conclude by the end of 1996 a customs cooperation and mutual assistance agreement between the European Community and the US.

To allow our people to take full advantage of newly developed information technology and services, we will work toward the realization of a transatlantic information society.

Given the overarching importance of job creation, we pledge to cooperate in the follow-up to the Detroit Jobs Conference and the G7 Summit initiative. We look forward to further cooperation in the run up to the G7 Jobs Conference in France, at the next G7 Summit in the summer of 1996 and in other fora such as the OECD. We will establish a joint working group on employment and labour-related issues.

IV. Building bridges across the Atlantic

I.75. We recognize the need to strengthen and broaden public support for our partnership. To that end, we will seek to deepen the commercial, social, cultural, scientific and educational ties among our people. We pledge to nurture in present and future generations the mutual understanding and sense of shared purpose that has been the hallmark of the post-war period.

We will not be able to achieve these ambitious goals without the backing of our respective business communities. We will support, and encourage the development of, the transatlantic business relationship, as an integral part of our wider efforts to strengthen our bilateral dialogue. The successful conference of EU and US business leaders which took place in Seville on 10 and 11 November 1995 was an important step in this direction. A number of its recommendations have already been incorporated into our action plan and we will consider concrete follow-up to others.

We will actively work to reach a new comprehensive EC-US science and technology cooperation agreement by 1997.

We believe that the recent EU/US Agreement on cooperation in education and vocational training can act as a catalyst for a broad spectrum of innovative cooperative activities of direct benefit to students and teachers. We will examine ways to increase private support for educational exchanges, including scholarship and internship programmes. We will work to introduce new technologies into classrooms, linking educational establishments in the EU with those in the US and will encourage teaching of each other's languages, history and culture.

Parliamentary links

We attach great importance to enhanced parliamentary links. We will consult parliamentary leaders on both sides of the Atlantic regarding new consultative mechanisms, including those building on existing institutions, to discuss matters related to our transatlantic partnership.

Implementing our agenda

The new transatlantic agenda is a comprehensive statement of the many areas for our common action and cooperation. We have entrusted the senior level group to oversee work on this agenda and particularly the priority actions we have identified. We will use our regular summits to measure progress and to update and revise our priorities.

For the last 50 years, the transatlantic relationship has been central to the security and prosperity of our people. Our aspirations for the future must surpass our achievements in the past.

Annex 11 — Mediterranean

Barcelona Declaration adopted at the Euro-Mediterranean Conference (27 and 28 November 1995)

I.76. The text of this declaration was published in full in Bull. 11-1995, point 2.3.1.

Annex 12 — Latin America

Council conclusions on the general guidelines for cooperation between the Community and Latin America 1996-2000

I.77. The Council:

having examined the Commission communication entitled 'The European Union and Latin America: the

present situation and prospects for closer partnership (1996–2000)', whose assessment it in the main approves, and having regard to the conclusions of the European Council meetings in Corfu, Essen and Cannes and to the basic document approved by the General Affairs Council on 31 October 1994, emphasizes its wish to build closer political ties with Latin American partners, support democracy, make progress in trade liberalization fields, assist regional integration processes and target its cooperation more effectively. With that end in view, the institutionalized dialogues with Latin American partners will be stepped up.

The Council agrees to establish the following priorities for future cooperation with Latin American countries and regions:

(a) The Community will pay particular attention to institutional support and consolidation of the democratic process by means of cooperation activities:

- aimed at consolidating the institutions, at various levels, of the rule of law, at protecting human rights and at good governance;
- contributing to government reform and decentralization, in particular through the modernization of public administration;
- supporting the framing of sectoral policies such as those on education, health and rural development, with priority going to institution building and to harnessing the know-how of civil society.

(b) The Community will attach particular importance as a matter of priority to combating poverty and social exclusion in its cooperation. The challenges faced here will be to help ensure participation by marginalized population groups in the market economy, as well as more equitable income distribution, in order to ensure sustainable development.

Programmes will be prepared not only for the rural world but also for greater integration of people living in marginalized urban areas.

Cooperation programmes should also continue for the poorest sectors of the population and for the poorest countries, chiefly in the areas of policies on population, health, education or housing. Such schemes should be targeted at particular groups such as young people, women and indigenous communities.

The aim should be to couple economic development with social progress. To that end, cooperation programmes will take into account the operational conclusions of the Copenhagen Social Summit in March 1995.

(c) The Community will place particular emphasis in its cooperation activities on its support for economic reform and for improved international competitiveness, particularly in the following areas:

- support for the development of the private sector, especially for SMEs;

- stepping-up of industrial promotion and investment;
- achievement of greater synergy between industrial cooperation and scientific and technological cooperation;
- technical assistance for foreign trade promotion;
- confirmation of the importance of the EIB's role as an instrument of cooperation between the EU and Latin America.

In implementing these cooperation priorities, particular importance should be attached to the following topics:

- The Community will place special emphasis on programmes and activities in support of basic education and training, which are key areas for sustainable economic and social development. Such cooperation will be carried out both in the field of democratization and in higher education, science and technology, and vocational training.
- The Community will support regional cooperation and integration, in particular the idea of 'open regionalism', with the aim of greater opening-up of regional and subregional markets and greater integration into international markets in accordance with WTO rules.
- The Community will attach particular importance to gender issues in all cooperation areas and programmes with Latin America, in accordance with the recommendations of the Fourth World Conference on Women.

In view of the challenges and interdependence on a worldwide scale in these areas, it will be necessary to:

- see to it that cooperation activities take into consideration their environmental impact; the Community will contribute, through technology transfer, to more rational use of energy and to the promotion of renewable energy sources;
- continue and step up, by means of specific measures and projects or through cooperation in the appropriate fora, joint action to combat the production and social effects of drugs and drug-related crime; and
- work for the modernization of transport systems and for free access to transport markets, especially in shipping.

In response to manifold needs stemming from the diversity of countries and regions in Latin America and so as to ensure the best possible combination of available resources and instruments according to such needs, the Community will seek to achieve the following in order to make its action more effective:

- the active participation, at all stages of cooperation programmes, of beneficiaries and civil society by means of decentralized cooperation activities and programmes;
- better coordination with Member States, particularly on the ground, as regards cooperation and in

financial respects, with European businessmen and consortia being attracted, in order for the quality of programmes to be improved and more effective and more visible use to be made of the available resources;

□ co-financing with Latin American countries and Union Member States, as well as with other international sources of funding;

□ these general guidelines may be regularly monitored, assessed and built upon by the various Community bodies; in this connection the Council will attach particular importance to the periodic preparation and revision by the Commission, in close cooperation with the Member States, of country strategy papers specifying the major areas of Community activities in each country;

□ the activities engaged in should also be given a higher profile.

Annex 13 — Africa

Council conclusions on preventive diplomacy, conflict resolution and peacekeeping in Africa

1.78. 1. The Council recalls that, at its meeting in Essen, the European Council declared itself in favour of a political dialogue between the European Union and the Organization of African Unity (OAU), particularly with regard to conflict prevention in Africa. Preventive diplomacy, peacekeeping and the strengthening of international security are priority aims of the CFSP. The European Union is ready to support African efforts in the field of preventive diplomacy and peacekeeping, where necessary via the WEU.

2. The Council takes note of the declaration of the OAU Assembly of Heads of State or Government, held in Cairo from 28 to 30 June 1993, establishing the mechanism for conflict prevention and resolution, and the Assembly's conclusions at Addis Ababa in June 1995.

3. The European Union's contribution in this field must be one of support for action taken by African bodies, in particular the OAU, which will be the main players at all stages of the process, and it must be based on the following principles:

□ increasing African involvement in the prevention and resolution of their crises;

□ improving the interlocking between the efforts of the European Union and those of the African countries and other members of the international community;

□ harmonizing in particular the efforts of the European Union, including bilateral efforts by its Member States, in the light of the above;

□ coordinating endeavours in this field with the development-aid policy of the Community and its Member States and support for the democratization process;

□ facilitating the mobilization of African capacities and means of action; it is essential for there to be an African lead in preventive diplomacy and conflict resolution in Africa; through the OAU and without prejudice to the important role that sub-regional organizations might play, the African countries must take the initiative in tackling and resolving all stages of the problems threatening peace.

4. In order to attain these objectives, the European Union will first and foremost encourage cooperation between the United Nations and the OAU, and this will include strengthening the OAU's existing capabilities in this domain.

5. The following elements also need to be taken into consideration:

□ the European Union's contribution must be appropriate, on the one hand, to the political and legal framework within which the envisaged action is taken (UN, OAU, sub-regional framework) and, on the other hand, to the different stages of the process leading from early warning to implementation of conflict resolving measures; the European Union might have a part to play and so, if necessary, might the WEU;

□ African pre-eminence in taking the political lead in conflict management must be recognized;

□ both preventive diplomacy and conflict resolution and peacekeeping in Africa must adhere strictly to the principles and aims set out in the United Nations Charter;

□ any operations must be based on the principles of consent by the parties to the conflict, neutrality and impartiality of any force employed and a single command structure;

□ the Member States of the European Union and the Community will institute within the Council a procedure for exchanging information on their bilateral aid in this field with the aim of improving the coordination of that aid.

6. The European Union's contribution could take the following forms:

(a) Early warning:

□ exchange of information or communications covering aspects of specific crises or countries where tensions are in evidence;

□ training of analysts for the OAU General Secretariat;

□ organization of seminars;

□ financial support for technical and material assistance.

(b) Preventive diplomacy:

- encouraging the setting-up of crisis-tracking groups by offering good offices and possibly one-off financial support;
- organization of seminars and fora for the discussion of preventive diplomacy;
- assistance with staff for the organization of missions.

(c) Peacekeeping: in so far as a role is envisaged for the OAU, at its own request, pursuant to a decision of the UN Security Council, the EU will examine any support it could provide, in particular via the WEU where appropriate.

7. The EU, aware of the fact that the WEU has already begun discussing the possibility of supporting the European Union's contribution, invites it to inform the EU of the outcome. The EU requests the WEU to draw up and implement specific measures that could help mobilize African capabilities in UN forces. It may also ask the WEU to help in carrying out Union actions.

8. These conclusions should serve as a basis for the subsequent adoption of a common position.

Annex 14 — Asia

Asia-Europe Meeting (ASEM): Union position

Section I: General aspects

1.79. The Asia-Europe Meeting will constitute one of the most important initiatives undertaken by the European Union and its Member States and 10 of the most dynamic countries in Asia.

In an historical event, the Heads of State or Government of the participating countries, and the President of the Commission, will meet jointly, accompanied by their Ministers of Foreign Affairs, in an exercise aimed at establishing a new partnership between Europe and Asia that will contribute to the global development of societies in both regions.

This new partnership should be based on the promotion of political dialogue, the deepening of economic relations and the reinforcement of cooperation in various fields.

The Union considers ASEM as an open, transparent and evolutive process, of informal nature, that should pursue, nevertheless, concrete and substantial results. It should, therefore, not affect the participants special relations with other areas of the world.

This first ASEM should be made so mutually worthwhile as to give impetus to the political will to inten-

sify dialogue and relations between the two regions and lay a firm foundation for a new era in Euro-Asian relations. This exercise is one that looks into the future and aims at setting up a constructive climate of mutual understanding and cooperation in all political and economic areas of common interest.

It is desirable that participants should depart from the inaugural meeting with the agreement of both sides for the convening of a second ASEM in Europe at a date to be mutually agreed. The Union should also propose that a flexible follow-up be considered to review the implementation of the decisions taken in ASEM. The Union wishes that a final statement reflects the substantive agreements reached in ASEM.

The Union has listed a range of specific issues that can be discussed (see Sections II and III) and has prepared detailed proposals. The overall approach to these issues should be comprehensive and balanced. The dialogue can also cover economic questions of a general character.

Section II: Promotion of political dialogue between Europe and Asia

(a) Enhancement of a broad Euro-Asia political dialogue

1.80. The promotion of political dialogue between both continents should aim at the advancement and consolidation of political stability and international security and at the deepening of mutual understanding in all areas.

This will require an intensification of contacts with a view to improving political cooperation between Europe and Asia in international organizations and in tackling international issues.

As one of the main objectives of the meeting, participants should make a clear commitment in this direction and should explore the possibilities for cooperation by identifying common ground on the different issues discussed. Senior officials may in this respect single out specific issues and areas of particular relevance for such cooperation.

(b) Dialogue on values and codes that govern societies on both continents

1.81. Although a new partnership between Europe and Asia does not require identical values, ideas and social codes, there remains a need for greater understanding of differences in values and customs among participating countries.

The ASEM should encourage an open and wide-ranging dialogue between cultures and civilizations on both continents to facilitate the rapprochement of their

societies. In this connection, the promotion of cultural, scientific and academic exchanges and informal dialogue between intellectuals, those who form public opinion, politicians and businessmen will contribute greatly to broaden the basis of mutual understanding and to discern more clearly the productive power of cultural diversity.

Human rights, the rule of law and good governance play a key role in furthering harmonious social development. In this respect, the ASEM participants should reflect on the close links between the political and economic aspects involved in building a secure, stable and democratic society.

ASEM should focus on promoting specific collaboration between participating nations, reaffirming at the same time the participants' commitments to the UN declarations and conventions on these matters.

At the same time participants should emphasize their common commitment to the promotion of and respect for human rights and fundamental freedoms on the basis of the Charter of the United Nations, the Universal Declaration of Human Rights, and the Vienna Declaration and Programme of Action. They should also express their strong support for the successful implementation of the Vienna Declaration and Programme of Action.

(c) United Nations

I.82. ASEM participants could produce an exchange of views on the reform and funding of the organization, as well as on their experiences and possible collaboration in the fields of peacekeeping and the use of preventive diplomacy.

(d) Processes of regional integration

I.83. This is a field of undoubted value in forging common interests and fostering intra-regional stability. An exchange of information on the political aspects of these processes and a discussion on where current processes on both continents might lead to will be mutually beneficial.

(e) Cooperation in security matters

I.84. The European Union should underline its readiness to contribute actively to peace and stability worldwide and in the Asia-Pacific, sharing its experiences in this field. In this respect, the ASEAN regional forum is a suitable framework for intensifying cooperation between the Union and Asia.

In a two-way exchange of information, ASEM participants could focus on such items as CBM, conflict-resolution mechanisms, and new security architectures in Europe and Asia.

(f) Non-proliferation

I.85. This should be considered a broad issue involving all non-proliferation concerns. ASEM should concentrate on a follow-up to the NPT extension decisions, including a common approach to such issues as CTBT, fissile material cut-off convention, strengthening of IAEA safeguards. Discussion should also cover prohibition and non-proliferation of chemical and biological weapons, reinforcement of export controls on conventional weapons, the UN conventional arms register and controls on the use and transfer of anti-personnel mines.

Section III: Reinforcement of economic cooperation; trade, investment, transfer of technology and participation of private sectors

(a) Strengthening economic ties

I.86. Participating countries represent two of the most dynamic regions in the world. The current trade and investment flows between these regions do not, however, reflect their true economic potential. It should be noted that ASEM offers an exceptional opportunity for participating leaders to assess this potential and to take steps to exploit it more effectively. To this end senior officials should consider ways which would aim at liberalization and a strengthened multilateral discipline within the WTO. It would also identify specific measures which could be undertaken in participating countries in order to facilitate trade and investment.

(b) Reinforcing the open trading system

I.87. All efforts in ASEM should be guided by the principles of the WTO and the concept of open regionalism. Participants should strongly condemn all forms of unilateralism and reaffirm their commitment to the MFN principle. They should also resolve to work closely together in preparing for the Singapore WTO ministerial meeting. Emphasis should be placed on the completion and full implementation of the Uruguay Round.

In particular, ASEM should stress the need for a successful conclusion of the negotiation on liberalization of telecommunications and maritime transport sectors and agree to join efforts to ensure that the interim Agreement on financial services is succeeded by a more substantial package of permanent liberalization commitments.

The meeting should also express the wish that the participating countries not yet parties to the WTO would be able to join soon.

The meeting should agree to support moves towards further liberalization, in particular through promoting

wider participation and extended coverage in the existing government procurement Agreement as well as through improving the level of intellectual property rights protection.

Senior officials could be asked to cooperate on this issue as well as for an ambitious agenda for future work in the WTO at the Singapore ministerial meeting, to be held in December 1996.

Important issues could be all questions of interest to any of the parties resulting from the Marrakesh Conference as established in doc. MTN.TNC/45(MIN) as well as the new issues.

In addition the dialogue should be encouraged in order to exchange experiences in the area of regional integration and to highlight the conditions in which liberalism in regional contexts is compatible with an open multilateral system.

(c) Facilitating trade and investment

1.88. The meeting should provide an opportunity to improve bilateral trade relations. To this end, senior officials should be instructed to identify measures that could facilitate trade between both regions. The business community will be consulted.

The meeting should allow for highlighting the need to increase investment in the two regions and to explore how best to establish favourable conditions to facilitate investment. The parties could note the ongoing negotiations taking place among industrialized countries in the OECD to devise a comprehensive multilateral agreement on investment and could recognize the desirability of extending the disciplines beyond the OECD members. In this context, senior officials could be invited to hold discussions aiming at giving investment a high priority in the WTO with a view to preparing the way for negotiations on a global framework of rules for investment. A dialogue should be pursued with a view to establishing strong international disciplines in this area covering non-discrimination, investor protection and transparency.

Promotion of cooperation in various fields

(a) Human resources

1.89. Emphasis should be laid on the development of human resources and of the conditions necessary for people to realize their potential. Promoting the mobility of young managers on a reciprocal basis between Europe and Asia is a particular priority as well as strengthening efforts in the area of primary and secondary education and vocational training. Language teaching and university exchanges programme as well as a two-way youth and student exchange should be envisaged.

(b) Development cooperation

1.90. Taking into account environmental aspects, development cooperation should be reinforced. Priority objectives should be improving the living conditions of the most disadvantaged groups, alleviating poverty and promoting the role of women.

1.91. (c) The importance of addressing environmental issues such as global warming, protection of water resources, deforestation and desertification, bio-diversity of species and recognition of the potential for mutually beneficial cooperation in this field should particularly be stressed.

(d) Cultural contacts and information

1.92. Priority should be given to developing mutual understanding between Europe and Asia through enhanced cultural contacts and information about each other's cultures, taking into account the role of the media.

(e) Promoting business cooperation

1.93. The meeting could stress the importance of promoting mutual beneficial cooperation, including encouragement of frameworks for dialogue at the initiative of the private sector to enable European and Asian business leaders to identify new fields for industrial cooperation. Cooperation should address areas such as energy, transport, information and environmental technology, telecommunications and tourism. The particular needs of small and medium-sized enterprises will be a priority.

(f) Technology cross-flows

1.94. The meeting should express support for intensified technology cross-flows between Asia and Europe through tighter cooperation in the field of research, greater networking between universities and facilitation of know-how transfers in high-technology sectors. Priority driving sectors could be the environment, information and communication technology and transport sectors. The importance of an adequate protection of intellectual property and an open climate for investment in this context should be recognized.

In this context, the Member States of the European Union are particularly interested in sharing the expertise and know-how of Asian countries in the rapid transformation of technological breakthrough into industrial production processes.

(g) Combating drugs and illegal activities

1.95. Cooperation should be stepped up in the fields of drug trafficking and particular efforts devoted to reach an agreement on drug precursors and in the frame-

work of fighting against money laundering. The meeting should also foster the dialogue on international crime. Cooperation should be encouraged to fight against illegal immigration networks with special attention to the question of readmission of illegal immigrants.

Follow-up

I.96. An agreement should be reached for follow-up of progress in the above fields on the basis of a progress report by their senior officials on substantive action to be drawn up in 1997.

Annex 15 — The Intergovernmental Conference

A strategy for Europe

I.97. For six months, the members of the Reflection Group have been working on the European Council mandate to pave the way for the revision of the Treaty at the 1996 Conference and any other improvements in the Union's operation, in a spirit of openness and democracy.

We feel it has been our task not only to establish an annotated agenda for the Conference but also to set in motion a process of public discussion and explanation regarding the thrust of the changes to be made.

The challenge

I.98. Men and women of Europe today, more than ever, feel the need for a common project. And yet, for a growing number of Europeans, the rationale for Community integration is not self-evident. This paradox is a first challenge.

When the European Communities were established some 40 years ago, the need for a common design was clear because of the awareness of Europe's failure over the first half of this century.

Now, almost half a century later, the successive enlargements of the Union, the expansion of its tasks, the very complexity of its nature and the magnitude of the problems of our times, make it very difficult to grasp the true significance of, and the continuing need for, European integration.

Let us accept that complexity is the price that Europe pays to protect our plural identity. But we firmly believe that this creation of Europe's political ingenuity, which cannot take the place of but is now an inseparable counterpart to the Union's Member States, from which its main political legitimacy flows, has been making an invaluable contribution of its own:

peace and prosperity based on a definition of common interests and action that is the result not of power politics but of a common body of law agreed by all.

Today Europe has changed, partly because of the Union's success. All those European nations rediscovering their freedom wish to join, or to cooperate more closely with, the European Union. Yet, in Western Europe there is a growing sense of public disaffection despite the Union's contribution to an unprecedented period of peace and prosperity.

We therefore need to explain clearly to our citizens why the Union, which is so attractive to others in Europe, remains necessary for us too.

One reason is that the world outside Europe has also changed. Goods, capital and services nowadays flow globally in an increasingly competitive market. Prices are set worldwide. The prosperity of the Europe of today and tomorrow depends on its ability to succeed in the global marketplace.

The end of the Cold War may have increased the overall security of Europe. But it has also brought greater instability in Europe.

Furthermore, high levels of unemployment, external migratory pressures, increasing ecological imbalances and the growth of international organized crime have stimulated a public demand for greater security that cannot be satisfied by Member States acting alone.

In an increasingly interdependent world, that reality poses new challenges and opens up new opportunities for the Union.

The response

I.99. However, we are not starting from scratch. Over the last five years, Europe has adjusted successfully to changing times. In 1990, the Community welcomed in the 17 million Germans who had been living on the other side of the Berlin Wall.

The Maastricht Treaty succeeds in mapping out the path of adjustment by the Community to changing times: it establishes a European Union closer to its citizens, setting out the principle of subsidiarity; it establishes the path towards a single currency and puts forward a strategy of economic integration based on price stability that strengthens competitiveness and makes for growth in our economy; it reinforces social and economic cohesion and provides for high standards of environmental protection; it opens the way for a common foreign and security policy and attempts to bring about an area of freedom and of public security.

Since then, in very difficult economic circumstances, the European Union has been able to take timely decisions on progress in line with its new needs: it has agreed to the outcome of the Uruguay Round, it has

managed to reach agreement on the Union's finances up to 1999 and it has been enlarged to bring in three new members.

Yet that is not enough. European Heads of State or Government have already identified the steps necessary to develop Europe's strategy for these changing times: the 1996 Conference, the transition to a single currency, the negotiation of a new financial agreement, the possible revision or extension of the Brussels Treaty setting up the WEU and, lastly, the most ambitious target, enlarging the Union to bring in associated countries of Central and Eastern Europe, including the Baltic States, Cyprus and Malta.

That next enlargement provides a great opportunity for the political reunification of Europe. Not only is it a political imperative for us, but it represents the best option for the stability of the continent and for the economic advancement not just of the applicant countries but for this Europe of ours as a whole. That enlargement is not an easy exercise. Its impact upon the development of the Union's policies will have to be assessed. It will require efforts both by applicants and present Union members that will have to be equitably shared. It is therefore not only a great chance for Europe but also a challenge. We must do it, but we have to do it well.

The Union cannot tackle all the steps in that European strategy at once, but it does not have any time to waste. The Heads of State or Government have personally taken responsibility for agreeing on a European agenda for carrying out this plan, which will only become a reality if it finds democratic backing from Europe's citizens.

The 1996 Conference

I.100. The 1996 Conference is an important, but just one step in this process.

The Maastricht Treaty already foresees that a Conference should be convened in 1996 with a limited scope. This scope has subsequently been enlarged at various European Councils.

The Heads of State or Government have identified the need to make institutional reforms as a central issue of the Conference in order to improve the efficiency, democracy and transparency of the Union.

In that spirit, we have tried to identify the improvements needed to bring the Union up to date and to prepare it for the next enlargement.

We consider that the Conference should focus on necessary changes, without embarking on a complete revision of the Treaty.

Against this background, results should be achieved in three main areas:

- making Europe more relevant to its citizens;

- enabling the Union to work better and preparing it for enlargement;

- giving the Union greater capacity for external action.

I. The citizen and the Union

I.101. The Union is not and does not want to be a super-State. Yet it is far more than a market. It is a unique design based on common values. We should strengthen these values, which all applicants for membership also wish to share.

The Conference must make the Union more relevant to its citizens. The right way for the Union to regain the commitment of its citizens is to focus on what needs to be done at European level to address the issues that matter to most of them such as greater security, solidarity, employment and the environment.

The Conference must also make the Union more transparent and closer to the citizens.

Promoting European values

I.102. Europe's internal security rests on its democratic values. As Europeans we are all citizens of democratic States which guarantee respect for human rights. Many of us think that the Treaty must clearly proclaim these common values.

Human rights already form part of the Union's general principles. For many of us they should, however, be more clearly guaranteed by the Union, through its accession to the European Convention on Human Rights and Fundamental Freedoms. The idea of a catalogue of rights has also been suggested, and a provision allowing for the possibility of sanctions or even suspending Union membership in the case of any State seriously violating human rights and democracy. Some of us take the view that national governments already provide adequate safeguards for these rights.

Many of us think it important that the Treaty should clearly proclaim such European values as equality between men and women, non-discrimination on grounds of race, religion, sexual orientation, age or disability and that it should include an express condemnation of racism and xenophobia and a procedure for its enforcement.

One of us believes that the rights and responsibilities we have as citizens are a matter for our nation States: reaching beyond that could have the opposite effect to that intended.

Some of us also thought it worthwhile to examine the idea of establishing a Community service or European 'peace corps' for humanitarian action, as an expression of Union solidarity; such a service could also be used in the event of natural disasters in the Union.

Furthermore, some of us recommend that the Conference should examine how to better recognize in the Treaty the importance of access to public service utilities ('services publics d'intérêt général').

We believe that Europe also shares certain social values which are the foundation of our coexistence in peace and progress. Many of us take the view that the social agreement must become part of Union law. One of us believes that this would only serve to reduce competitiveness.

Freedom and internal security

I.103. The Union is an area of free movement for people, goods, capital and services. Yet people's security is not sufficiently protected on a European scale: while protection remains essentially a national matter, crime is effectively organized on an international scale. Experience of the implementation of the Maastricht Treaty over the last few years shows that opportunities for effective European action are still very limited. Hence, the urgency for a common response at European level, following a pragmatic approach.

We all agree that the Conference should strengthen the Union's capacity to protect its citizens against terrorism, drug trafficking, money laundering, exploitation of illegal immigration and other forms of internationally organized crime. This protection of citizens' security at European level must not diminish individual safeguards. For many of us, this requires further use of common institutions and procedures, as well as common criteria. It is also for national parliaments to exercise political scrutiny over those who administer such common action.

Many of us take the view that, in order to act more efficiently, we need to put fully under Community competence matters concerning third country nationals, such as immigration, asylum and visa policy, as well as common rules for external border controls. Some would also like to extend Community competence to combating drug addiction and fraud on an international scale, and to customs cooperation.

For some of us, however, the key to success has to be found in a combination of political will and more effective use of existing intergovernmental arrangements.

Employment

I.104. We know that job creation in an open society is based on sound economic growth and on business competitiveness, which must be fostered by initiatives at local, regional and national levels. We believe that, in the European Union, the main responsibility of ensuring the economic and social well being of citizens lies within the Member States. In an integrated economic area such as ours, however, the Union also has a responsibility for setting the right conditions for job creation. It is already doing so by the completion

of the internal market and the development of other common policies, with a joint growth, competitiveness and employment strategy which is achieving positive results, and with its plan for economic and monetary union.

We all agree that the provisions on the single currency which were agreed at Maastricht and ratified by our parliaments must remain unchanged.

While we are all aware that jobs will not be created simply by amendments to the Treaty, many of us want the Treaty to contain a clearer commitment on the part of the Union to achieving greater economic and social integration and cohesion geared to promote employment, as well as provisions enabling the Union to take coordinated action on job creation. Some of us advised against writing into the Treaty provisions which arouse expectations, but whose delivery depends primarily on decisions taken at business and State-level. In any case, most of us stress the need for stronger coordination of economic policies in the Union.

Environment

I.105. In essence, the environment has crossborder effects. Protection of the environment is an objective involving our survival not only as Europeans but also as inhabitants of the planet. Therefore the Conference should examine how to improve the capacity of the Union to act more efficiently and to identify whenever that action should remain within the Member State.

A more transparent Union

I.106. Citizens are entitled to be better informed about the Union and how it functions.

Many of us propose that the right of access to information be recognized in the Treaty as a right of the citizens of the Union. Suggestions have been made on how to improve the public access to Union's documents which should be examined by the Conference.

Prior to any substantial legislative proposal, information should be duly gathered from the sectors concerned, experts and society in general. The studies leading up to the proposal should be made public.

When such a proposal is made, national parliaments should be duly informed and documents supplied to them in their official languages and in due time to allow proper discussion from the beginning of the legislative process.

We all agree that the Union law should be more accessible. The 1996 Conference should result in a simpler Treaty.

Subsidiarity

I.107. The Union will be closer to the citizen if it focuses on what should be its tasks.

This means that it must respect the principle of subsidiarity. This principle must therefore not be construed as justifying the inexorable growth of European powers nor as a pretext for undermining solidarity or the Union's achievements.

We believe it necessary to reinforce its proper application in practice. The Edinburgh Declaration should be the basis for that improvement and some of us believe that its essential provisions should be given Treaty status.

II. Enabling the Union to work better and preparing it for enlargement

I.108. The Conference should examine the ways and means to improve the efficiency and democracy of the Union.

The Union must also preserve its decision-making ability after further enlargement. Given the number and variety of the countries involved, this calls for changes to the structure and workings of the institutions. It may also mean that flexible solutions will have to be found, fully respecting the single institutional framework and the *acquis communautaire*.

The European Council, consisting of the Heads of State or Government of the Member States and the President of the Commission, is the highest expression of the Union's political will and defines its general political guidelines. Its importance is bound to increase in view of the Union's political agenda.

Improving democracy in the Union means both fair representation in each of the institutions, and enhancing the European Parliament, within the existing institutional balance, and the role of national parliaments. In this context, it is recalled that, according to the Treaty, a uniform electoral procedure for the European Parliament should be established. Many of us believe that the European Parliament's procedures are too numerous and complex and therefore favour reducing them to three: consultation, assent and codecision.

The current codecision procedure is over-complicated and we propose that the Conference simplify it, without altering the balance between the Council and the European Parliament. Many of us also propose that the Conference should extend the scope of the codecision procedure. One member believes, however, that the European Parliament gained extensive new powers at Maastricht and therefore should grow into these powers before seeking more.

National parliaments should also be adequately involved. This does not imply that they have to be incorporated into the Union's institutions. For many of us its decision-making procedures should be organized in a way which allows national parliaments adequately to scrutinise and influence the positions of

their respective governments in the decision-making of the Union. Some of us suggest a more direct involvement of national parliaments: in this context, the idea of a newly established advisory committee has been suggested by one of us. Cooperation among national parliaments and between them and the European Parliament should also be fostered.

The decision-making processes and working methods of the Council of Ministers will need review. The Union must be able to take timely and effective decisions. But efficient decision-making does not necessarily mean easy decision-making. The Union's decisions must have popular support. Many of us believe greater efficiency would be enhanced by more qualified majority voting in the Council, which, according to many, should become the general procedure in the enlarged Community. Some of us believe that this should only be countenanced, if democratic legitimacy is improved by a reweighting of votes to take due account of population. One of us opposes extension on principle.

We consider the role of the Council Presidency to be crucial for the efficient management of the Union's business and we support the principle of rotation. But the present system applied to an enlarged Union could become increasingly disjointed. Alternative approaches combining continuity and rotation should be examined further.

We agree that the Commission should retain its three fundamental functions: promotion of the common interest, monopoly of legislative initiative and guardianship of Community law. Its legitimacy, underlined by its parliamentary approval, is based on its independence, its credibility, its collegiality and its efficiency. The composition of the Commission was designed for a Community of six. We have identified options for its future composition in order to preserve the Commission's ability to fulfil its functions in view of an enlarged Union that may extend to more than twice the number of Member States having negotiated the Maastricht Treaty.

Broadly, one view within the Group is to retain the present system for the future, reinforcing its collegiality and consistency as required. This option would allow all members to have at least one Commissioner. Another view is to ensure that greater collegiality and consistency be attained by reducing the Commissioners to a lesser number than Member States and enhancing their independence. Procedures should be established to select those members on grounds of qualification, and commitment to the general interest of the Union. When deciding the future composition of the Commission, the Conference may also examine the possibility of establishing senior and junior Commissioners.

Some of us believe that the Committee of the Regions has to play an important role in Community legisla-

tion and that the consultative role of this body should be better used.

Europe's achievements depend on its ability to take decisions together and then to comply with them. An improvement in the clarity and quality of Community legislation would contribute to this, as would better financial management and a more effective fight against fraud. The Conference should also improve the key role of the Court of Justice especially in ensuring uniform interpretation of and compliance with Community law.

III. Giving the Union greater capacity for external action

I.109. The Maastricht Treaty has established the Union's common foreign and security policy. In our opinion, this was the right decision at the right time, at a time with the end of the Cold War increasing the burden of responsibility on the European Union to lay the foundations of peace and progress in Europe and elsewhere.

The current possibilities offered by the Treaty have provided some positive results. We believe, however, that the time has come to provide this common policy with the means to function more effectively.

The Union today needs to be able to play its part on the international stage as a factor for peace and stability. Although an economic power today, the Union continues to be weak in political terms, its role accordingly often confined to financing decisions taken by others.

Common foreign policy

I.110. We think that the Conference must find ways and means of providing the Union with a greater capacity for external action, in a spirit of loyalty and mutual solidarity. It must be capable of identifying its interests, deciding on its action and implementing it effectively. Enlargement will make this task more difficult, but also makes it even more imperative.

This means that the Union must be able to analyse and prepare its external action jointly. With that in mind, we propose the establishment of a common foreign policy analysis and planning unit. For most of us, this unit should be answerable to the Council. Many of us also think that it should be recruited from Member States, Council Secretariat and Commission and be established within the institutional framework of the Union. It has been suggested by some that the head of the unit, whose functions could eventually merge with those of the Secretary General of the WEU, should be the Secretary General of the Council.

It also calls for the capacity to take decisions. To that end, we propose that the Conference examines how to review decision-making and financing procedures in

order to adapt them to the nature of foreign policy, which must reconcile respect for the sovereignty of States with the need for diplomatic and financial solidarity. It should be commonly agreed whether and if so how to provide for the possibility of flexible formulae which will not prevent those who feel it necessary for the Union to take joint action from doing so. Some members favour the extension of qualified majority voting to CFSP and some others propose to enhance the consultative role of the European Parliament in this area.

The Union must be able to implement its external actions with a higher profile. We have examined several possible options for ensuring that the Union is able to speak with one voice. Some of us have suggested the idea of a High Representative for the CFSP, so as to give a face and a voice to the external political action of the Union. This person should be appointed by the European Council and would act under precise mandate from the Council. Many of us have stressed the need for a structured cooperation between the Council, its Presidency and the Commission, so that the different elements of the external dimension of the Union they are responsible for function as a coherent whole.

This greater political role for the Union in the world should be consistent with its current external economic influence as the premier trading partner and the premier humanitarian aid donor. The Conference will have to find ways of ensuring that the Union's external policy is visible to its citizens and the world, that it is representative of its Member States and that it is consistent in its continuity and globality.

European security and defence policy

I.111. The multifaceted challenges of the new international security situation underline the need for an effective and consistent European response, based on a comprehensive concept of security.

We therefore believe that the Conference could examine ways to further develop the European identity, including in the security and defence policy field. This development should proceed in conformity with the objectives agreed at Maastricht, taking into consideration the Treaty provisions that the CFSP shall include all questions related to the security of the Union, including the eventual framing of a common defence policy, which might in time lead to a common defence.

The Conference will have to take account of the reality that, in the view of NATO members, such a development should also strengthen the European 'pillar' of the Atlantic Alliance and the transatlantic link. The Alliance continues to guarantee the collective defence of its members and plays a fundamental role in the security of Europe as a whole. Equally, the right of

States which are not members of the Alliance to take their own defence decisions must be respected.

Many of us feel that the Conference should consider how to encourage the development of European operational capabilities, how to promote closer European cooperation in the field of armaments and how to ensure greater coherence of action in the military field with the political, economic or humanitarian aspects of European crisis management.

Against this background, many of us want to further strengthen relations between the EU and the Western European Union (WEU), which is an integral part of the development of the Union.

In this regard, several options for the future development of this relationship have already been suggested within the Group. One option advocates a reinforced EU/WEU partnership while maintaining full autonomy of WEU. A second option suggests that a closer link should be established enabling the Union to assume a directing role over WEU for humanitarian, peacekeeping and other crisis management operations (known as Petersberg tasks). A third option would be the incorporation of these Petersberg tasks into the Treaty. As a fourth option, the idea of a gradual integration of WEU into the EU has been supported by many of us: this could be pursued either by promoting EU/WEU convergence through a WEU

commitment to act as implementing body of the Union for operational and military issues, or by agreeing on a series of steps leading to a full EU/WEU merger. In the latter case, the Treaty would incorporate not only the Petersberg tasks but also a collective defence commitment, either in the main body of the Treaty or in a Protocol annexed to it.

In this context, the idea that the IGC examines the possibility of including in the revised Treaty a provision on mutual assistance for the defence of the external borders of the Union has been put forward by some members.

It will be for the Conference to consider these and other possible options.

Europe and democracy are inseparable concepts. To date, all the steps in the construction of Europe have been decided by common accord by the democratic governments of its Member States, have been ratified by the national parliaments and have received popular support in our countries. This is also how we shall construct the future.

We realize that this reflection exercise by the Group is only one step in a public debate initiated and guided by the European Council. We hope that this public and joint exercise between our nations will lead to renewed support for a project which is more than ever necessary for Europe today.