

MADRID EUROPEAN COUNCIL

15 and 16 DECEMBER 1995

PRESIDENCY CONCLUSIONS

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INTRODUCTION

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 this stage 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 Inter-Regional 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 and 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: ECONOMIC REVITALIZATION OF EUROPE IN A SOCIALLY INTEGRATED FRAMEWORK



A. ECONOMIC AND MONETARY UNION



I. The scenario for the changeover to the single currency

1. The European Council confirms that 1 January 1999 will be the starting date for Stage 3 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 3, 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 fifteen 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 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 3 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 6 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 3 of EMU

Durable economic convergence

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 3, 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.

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 3.

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. In particular, the study should cover those issues related to monetary instability.

Work ahead

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

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

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 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 services 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). It hopes 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

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 Commission 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.

SMEs

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

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

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

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

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

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 very shortly arriving 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

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

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

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

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 expresses satisfaction at the signing of the Convention on insolvency proceedings.

4. Immigration and asylum

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

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

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

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

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

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 preliminary stage of negotiations will coincide with the start of negotiations with Cyprus and Malta.



B. EXTERNAL RELATIONS

FORMER YUGOSLAVIA

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

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

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

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 and of 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

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

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 next General Affairs Council.

UKRAINE

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 continues to provide support for Ukraine through macro-economic assistance and 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.

TURKEY

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

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

In the security field, the European Council welcomes the progress made within the Union on developing a common policy for the integration of the countries of Central and Eastern Europe 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

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 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

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

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

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 inform 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

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

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

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 Inter-Regional 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 General 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.

LOME CONVENTION

The European Council welcomes the signing in Mauritius on 4 November of the Agreement on the revision of the 4th ACP-EC Convention, together with the Protocol on the Accession

of Austria, Finland and Sweden, as well as the immediate adoption of provisional implementing measures.

AFRICA

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

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

On the occasion of the fiftieth 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

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

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 of which is 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.