

# CANNES EUROPEAN COUNCIL

## 26 and 27 JUNE 1995

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### INTRODUCTION

Meeting with 15 Member States for the first time, the European Council has considered the basic questions which confront the Union today and how they might be tackled, on both the internal and external fronts. It has thus laid solid foundations for a new stage in the process of European integration, with revision of the Union Treaty, completion of economic and monetary union and the achievement of a further major enlargement.

At home, the Union must provide an improved response to its citizens' legitimate expectations, that is to say, it must make it a priority to mobilize all its resources, including those of the Member States, to combat the scourge of unemployment effectively. This means implementing a broad range of measures at both national and Community level in full compliance with the convergence criteria; compliance with these criteria is also a precondition for introduction of a single currency: in particular, the Community's economy must be made more dynamic, by making sure that it remains competitive with its principal rivals and by mastering new technologies, especially information technologies. Finally, people's desire for security must be satisfied.

Externally, the Union is determined to work towards stability and peace on the continent of Europe, by preparing for the accession of the associated European countries. Their presence here in Cannes today provides confirmation that they are destined to join the Union. The Union also intends to strengthen relations in all spheres with the Mediterranean countries, to implement the customs union with Turkey as part of a developing relationship with that country, to establish close and balanced relationships with Russia and the CIS countries, to strengthen its special relationship with the ACP, to give fresh impetus to transatlantic relations and forge closer links with Latin America and Asia.

To be able to achieve these ambitions, the Union will need to complete preparation for the 1996 Intergovernmental Conference in the next few months; the discussions of the Reflection Group set up in Messina will be a contribution to that process.

The European Council heard a statement from the President of the European Parliament, Mr Klaus Hänsch, on the main questions dealt with.



## **PART A**

### **I. ECONOMIC, SOCIAL AND MONETARY QUESTIONS**



#### **1. Employment**

1.1. Despite the resumption of economic growth, the unemployment rate will remain unacceptably high in 1995. It is therefore of the utmost importance that, in line with the five guidelines set out in Essen, Member States should press ahead with structural reforms of the employment market, the effectiveness of which has been demonstrated by some initial examples. The fight against unemployment and equal opportunities questions will remain the most important task facing the European Union and its Member States. The European Council calls on the Member States to give effect to those efforts in the form of multiannual programmes to be put forward in the autumn. The Council and the Commission will cooperate in preparing the first annual report on the implementation of these programmes, which will be submitted to the Madrid European Council. In this context, the European Council emphasizes the need for careful preparation of the report provided for at its Essen meeting on the inter-relationship between economic growth and the environment and the consequences this has for economic policy.

As an economic entity, the European Union offers additional room for manoeuvre and a specific added value that make for the creation of lasting employment. The European Council calls upon the Council and the Commission to study the mutually reinforcing effect of increased coordination of economic and structural policies and to report back to it at its Madrid meeting.

The European Council takes note of the interim report examined by the social partners in the Standing Committee on Employment on 19 June. Rolling back unemployment means implementing stability-oriented monetary and budgetary policies, in line with the broad guidelines for economic policies.

The European Council emphasizes that such macro-economic policies directly benefit jobs threatened by the weight of public deficits. A rigorous budgetary policy — over and above its favourable impact on the stability of the macro-economic framework — helps to bring down interest rates, boosts investment and stimulates growth.

1.2. The European Council places particular emphasis on the need to foster growth of a kind that will create jobs, to step up measures to bring young people and the long-term unemployed back into the world of work and to make the labour markets perform better, in

particular by reducing indirect labour costs. Training and apprenticeship policies, which are fundamental for improving employment and competitiveness, must be strengthened, especially continuing training. The European Council takes note of the Commission's intention of submitting a White Paper by the end of the year.

At the European Social Conference in Paris on 30 March 1995, the social partners, the European Confederation of Trade Unions, UNICE and the European Association of Craft and Small and Medium-Sized Enterprises showed that they were prepared to play their full part in implementing the conclusions of the Essen European Council. The European Council welcomes their intention to submitting a report under the social dialogue assessing the progress that has been made.

1.3. The initiative of entrepreneurs, their decisions on hiring and on investments, also brings growth. The aim must therefore be to create a "virtuous" spiral of initiative, employment and growth. To do that, individual incentives to productivity need to be strengthened, competition stimulated and, in general, market flexibility increased.

The European Council notes with satisfaction the Commission's reports on the development of local employment initiatives and SMEs, as well as the report from the CIAMPI Group on competitiveness, which it received with great interest.

The European Council emphasizes the importance it attaches to the development of local employment initiatives in particular in the field of services linked with the environment and living standards, crafts and traditional products. It takes note of the Commission communication on the subject. It places emphasis on the need to disseminate initiatives undertaken at national level. The Commission communication will be examined by the Council on Social Affairs and Labour, which will submit a report to the Madrid European Council.

The European Council emphasizes that small and medium-sized enterprises (SMEs) play a decisive role in job creation and, more generally, act as a factor of social stability and economic drive. It calls upon the Commission to submit a report to it on policies currently being conducted in this field and on ways of improving their effectiveness through measures, particularly of a fiscal nature, aimed at promoting the creation of SMEs, reducing the administrative burden on them and facilitating their participation in training and research programmes.

The European Council emphasizes the importance of developing investment in research, development and education at national and Community level. It likewise emphasizes that in order to stimulate employment, competitiveness and innovation, it is important to combat excessive regulation where simplification is justified, without jeopardizing what has been achieved. In this context, noting the outcome of the discussions of the group of independent experts, it would like the Commission to propose specific measures for administrative simplification which could be taken by the competent bodies before the end of the year.

1.4. Investment promotion also has a role to play in combating unemployment. The European Council welcomes the progress made with implementation of the priority projects adopted at Essen, in particular the agreements reached on defining the regulatory framework. In this connection, other measures should be adopted to establish fairer competition between modes of transport.

The fourteen transport projects, although at different stages of maturity, are all being worked upon: for more than half of them, which are also the most significant financially, preparatory studies are under way, and in some cases completed; for the others, construction work has already begun.

The European Council requests the Commission to re-examine the financial estimates for the projects to see whether costs could be reduced without affecting their viability. It calls upon the Commission to seek out any other possible means of funding so that the projects can be carried out more quickly.

The European Council also calls upon the Commission to make every endeavour to ensure that projects eligible under the Financial Regulation can be submitted at the earliest opportunity so that the appropriations available can be released as from adoption of that Regulation in 1995.

The European Council notes, in the light of the Commission's estimate, that the fourteen transport projects defined as priorities in Essen will represent 75% of the appropriations available under the "networks" heading, i.e. an amount in the region of ECU 500 million for 1995 and 1996.

1.5. The European Council emphasizes the development potential of new growth sectors (for example, multi-media) and the potential for job creation in promoting the information society. It calls for work to continue on establishing the regulatory framework that will enable it to develop, while taking care to maintain cultural diversity and bearing in mind the objective of equal access to these new services.

1.6. The proper functioning of the internal market is fundamental to a dynamic economy and thus to job creation. The Community and its Member States must therefore give priority to the effective working of the internal market. The European Council welcomes the communication from the Commission and the Council Resolutions on this subject. The effective and uniform application of Community legislation throughout the Union will increase confidence in the single market on the part of industry and the public. The European Council also restates the importance it attaches to rigorous application of the principle of subsidiarity; in this context, the European Council calls on the Commission to implement the 1993 programme for the revision of existing legislation as soon as possible and to report back for its Madrid meeting.

1.7. The European Council reiterates its concern that the introduction of greater competition into many sectors in order to complete the internal market should be compatible with the general economic tasks facing Europe, in particular balanced town and country planning, equal treatment for citizens, -including equal rights and equal opportunities for men and women - the quality and permanence of services to consumers and the safeguarding of long-term strategic interests.



## **2. Economic and Monetary Union**

The European Council restates its firm resolve to prepare the transition to the single currency by 1 January 1999 at the latest in strict accordance with the convergence criteria, timetable, protocols and procedures laid down in the Treaty. To that end:

— the European Council subscribes to the broad guidelines of the economic policies of the Member States and of the Community in the Council report submitted pursuant to Article 103 of the Treaty. The current economic upturn must be used to step up sustained efforts to put public finances in order. Compliance with these guidelines is also necessary to make a substantial reduction in unemployment, although this must be combated at the same time by structural measures. The European Council requests the Council to report back on the implementation of these guidelines for its meetings in December 1995 and June 1996;

— the European Council would like work on preparing for introduction of the single currency to continue unabated. It welcomes the contributions on this matter made by the Commission's Green Paper and by the European Monetary Institute. It requests the Council to define, in consultation with these two institutions, a reference scenario guaranteeing full compliance with the Treaty, this being a precondition for the irreversibility necessary at the start of the third stage, with a view to reporting back to the Madrid European Council. In general, it approves the conclusions reached on these matters (see part B, page 1) and calls on the Council to continue with all the necessary discussions and to report back to its Madrid meeting so that it can decide on the scenario for introducing the single currency;

— the European Council emphasizes that if the recent currency turmoil continues, it might affect the proper operation of the single market and put a brake on the process of harmonious and balanced growth. The Council confirms its request to the Commission to carry out a detailed examination of those problems and to report on its conclusions in the autumn. In this context, it points out that it is important for all Member States to make the necessary efforts with regard to convergence, this being a pre-condition for introduction of the single currency, which will be the lasting solution to these difficulties.



## **II. EXTERNAL RELATIONS**

1 — The participants in the European Council met the Heads of State and of Government and Ministers for Foreign Affairs of the associated countries of Central and Eastern Europe, including the Baltic States, as well as Cyprus and Malta. They held a wide-ranging exchange of views on various topical matters. They also made an initial, favourable assessment of the structured dialogue and of progress in implementing the pre-accession strategy. In this connection, a suitable forum for encouraging and pooling experience will need to be set up.

The European Council reaffirms that negotiations on the accession of Malta and Cyprus to the Union will begin on the basis of Commission proposals, six months after the conclusion of the 1996 Intergovernmental Conference and taking the outcome of that Conference into account. It stresses the importance it attaches to preparing the accession of the associated countries to the Union and approves the Council conclusions on the White Paper on integrating those countries into the internal market and the Council report on implementing the strategy of preparing for accession (see Part B, page 3). It invites the Commission to report back to its

next meeting on progress in implementing the White Paper and on the studies and analyses requested at Essen. The success of the Conference on Stability in Europe (held in Paris on 20 and 21 March 1995) will help bring the countries of Central and Eastern Europe and the European Union closer together. The European Council calls on the countries concerned and on all the parties to implement the agreements and arrangements in the Stability Pact, which has now been entrusted to the OSCE, and calls on the countries concerned to work for the practical improvement of good-neighbourly relations in Europe.

Against this general background, the European Council, which is particularly concerned at the situation in former Yugoslavia, adopted the statement in Part B (page 13).

The European Council reaffirms the European Union's concern to contribute to political stability and prosperity in the Baltic Sea region. It awaits with interest the progress report on cooperation in that region.

The European Council refers to the need for Slovenian real estate legislation to be harmonized with European rules, as laid down in the statement of 6 March 1995. In addition, it hopes that the Association Agreement with Slovenia will be signed as soon as possible and that Slovenia will subsequently participate in the structured dialogue.

2 — The European Council reaffirms the strategic importance it attaches to adding a new dimension to the European Union's relations with its Mediterranean partners. It trusts that the Conference in Barcelona in November 1995 will lay the foundations for a Euro-Mediterranean partnership with ambitious cooperation goals and welcomes the Council's report of 12 June (see part B, page 15) setting out the objectives that the Union intends to pursue in Barcelona. It is pleased to note the encouraging response already received from the Mediterranean partners. It calls on the Council and the Commission to press ahead with preparations for the Barcelona Conference with the twelve States concerned.

It is pleased to note the initialling of the new Agreement with Tunisia. It urges early conclusion of the Agreements with Morocco and Israel. Lastly, it calls for rapid progress to be made in the negotiations with Egypt, Jordan and Lebanon. It welcomes the closer ties between the European Union and Turkey.

Gravely concerned by the situation in Algeria, the European Council renews its appeal to all those involved in political life to break the cycle of violence and find a political solution through peaceful dialogue and free and fair elections. It reaffirms its readiness to support an economic restructuring policy in Algeria.

The European Council pays tribute to the efforts made by the Parties directly concerned in the Middle East Peace Process to achieve, despite the difficulties in their path, a just, lasting and comprehensive peace in the region. It expresses the fervent hope that the Israeli-Palestinian negotiations can be successfully completed by 1 July. It confirms that the Union is fully ready, when the time comes, to send observers to the forthcoming Palestinian elections and to coordinate the various international observer missions at those elections and confirms the European Union's commitment resolutely to encourage and support this process, both economically and politically. It has asked Mr Felipe Gonzalez, the incoming President of the European Council, in the second half of 1995 to take all relevant steps to that end.

3 — The European Council takes note of the Commission communication and confirms its commitment to developing the European Union's relations with Russia, a process which is essential to the stability of the European continent. It reiterates the Union's resolve to establish a substantive partnership with Russia, on the basis of the strategy adopted in Carcassonne in March 1995. The European Union intends to contribute to the OSCE comprehensive security model for Europe in the 21st century.

With regard to security, the European Council considers that dialogue between Russia and the Atlantic Alliance should be stepped up, using the existing mechanisms. It further considers that conclusion of an agreement, perhaps in the form of a charter, should be envisaged. This process must be compatible with NATO and WEU policies and with the gradual integration of the countries of Central and Eastern Europe.

In the near term the European Council, noting that progress has been made with regard to the situation in Chechnya and relying on confirmation of that progress, has decided in favour of signing the Interim Agreement.

The European Council welcomes the progress of Ukraine's economic reforms achieved in close cooperation with the international financial institutions, and the decision to grant Ukraine the first tranche of a balance-of-payments loan for 1995. The pursuit of this policy is closely linked to the implementation of President Kuchma's decision to close down the Chernobyl nuclear power station definitively in 1999.

4 — The Summit between the European Union and the United States on 14 June confirmed that partner's concern to see open and balanced relations develop with the European Union. The European Council expresses its support for the strengthening of the transatlantic dialogue on the basis of the declarations of November 1990, reinforcement of the multilateral framework provided by the World Trade Organization (WTO) and for development of security links between the European and American pillars of the Atlantic Alliance. The Council welcomes in particular the agreement whereby a high-level group from the European Union and the United States should work on strengthening transatlantic relations.

In addition, it welcomes the annual Summits between the European Union and Japan held in Paris on 19 June, and between the European Union and Canada on 17 June which demonstrated the willingness to strengthen and rebalance their relations.

5 — The European Council welcomes the development of relations with South Africa, Latin America and more especially Mexico, Chile and Mercosur and welcomes the Euro-Asian Summit to be held in the first half of 1996.

It intends to work resolutely for peace and disarmament within the framework of the common foreign and security policy:

— on the occasion of the fiftieth anniversary of the United Nations Organization, it adopted the statement set out in Part B (page 34);

— it welcomes the fact that the joint action regarding the indefinite and unconditional extension of the Non-Proliferation Treaty, which was agreed at the Corfu European Council, has been successfully carried through;

— it expresses the hope that the Convention on the Prohibition of Chemical Weapons will enter into force without delay;

— it intends rapidly to implement the joint action adopted by the Union to combat the indiscriminate use and the dissemination of anti-personnel landmines;

— it sent a message of friendship and support to the Organization of African Unity (OAU) on the occasion of its 31st Summit (Part B, page 37) and expressed its consternation after the attempted assassination of Mr Mubarak, President of the Arab Republic of Egypt, to whom it expresses sympathy;

— it adopted the statement on Burundi (Part B, page 38);

— it expressed the hope that a treaty introducing a total ban on nuclear testing would be signed at the end of 1996 at the latest.

6 — With regard to Iran, the European Union will continue to defend freedom of expression. It regrets the lack of progress recorded with regard to the Salman Rushdie situation. The matter remains before the Council.

7 — The European Council further stresses its firm commitment to the WTO, which was established on 1 January 1995. It considers the WTO to be a suitable forum for ensuring, in a transparent and non-discriminatory manner, that multilateral rules are respected, and for arbitrating trade disputes between contracting parties. The European Council insists on the need to conclude the negotiations on financial services with a substantive and balanced result.

8 - The European Council reached agreement on the appropriations for financial cooperation with the countries of Central and Eastern Europe and the Mediterranean countries (Part B, page 39) for the period 1995/1999, and adopted the amount and financing arrangements for the 8th EDF in accordance with the table in Part B, page 40. The European Council records that the conditions have thus been met for the negotiations with the ACP States on the partial revision of the Fourth Lomé Convention to be concluded before 30 June.



### **III. INTERNAL MATTERS**

1 — The European Council noted with satisfaction agreement on the Convention establishing Europol, a significant instrument for cooperation between States in the interests of reinforcing the security of their citizens. It recommends Member States to do their utmost to ensure that this Convention can be formally adopted and applied as soon as possible after ratification by the national parliaments. It agreed to settle the question of the possible jurisdiction to be attributed to the Court of Justice of the European Communities at its meeting in June 1996.

2 — The European Council welcomes the agreement reached on the Convention concerning the use of information technology for customs purposes (CIS), a major factor in improving the operation of the common customs system, and the progress made on the Convention on the European Information System (EIS).



3 — The Council is pleased to note completion of the work on the Regulation and the Convention on the protection of the European Communities' financial interests. It noted agreement on the text of this Convention, which will have to be signed before 31 July.

The European Council takes note of the reports submitted by the Member States on their domestic measures to combat wastage and misappropriation of Community funds. It invites the Commission to prepare a comparative summary for the European Council in Madrid. On this basis, it calls on Member States and all Institutions to persevere in the battle against fraud and waste.

4 — The European Council welcomes the conclusion of the Convention on simplified extradition procedures and notes that substantial progress has been made, in particular with regard to visas, in ensuring that people can move freely within the Union. It invites the Council to complete, in July, its work on bringing about the closer integration of third-country nationals residing legally in the Union.

It also asks the Council to see to it that the Convention on checks on persons crossing the Union's external frontiers is signed before the next European Council meeting, subject to solutions being found to the questions outstanding. Finally, it invites the last States concerned to complete their procedures for ratifying the Dublin Convention.

5 — The Union-wide effort to combat racism and xenophobia is of great significance, and the European Council welcomes the work carried on by the various Council bodies and the Consultative Commission. It asks the Consultative Commission to extend its work in order to study, in close cooperation with the Council of Europe, the feasibility of a European Monitoring Centre on Racism and Xenophobia.

6 — The European Council approves the work on the European Union's action plan to combat drugs (1995-1999) and the guidelines adopted for the programme on the prevention of drug dependence. It urges Member States to unite their efforts and recommends ensuring practical implementation of the strategy involving reducing supply, combating trafficking, and international cooperation. It instructs a group of experts from the Member States to submit to its Madrid meeting an analytical report accompanied by proposals dealing with all these issues.

7 — The European Council recognizes the need for equal opportunities for men and women in the Union and calls for continued measures of improvement.

8 — The European Council welcomes the political agreement on renewing the MEDIA programme (training, development and distribution), which will contribute to promoting freedom of movement of European audiovisual works in the Community, and to increasing the international competitiveness of the European programme-making industry. It notes the proposal for a revision of the "television without frontiers" Directive. The European Council notes that before the end of the year the Commission intends to submit to the Council a proposal for a decision setting up a financial guarantee instrument for the production of European audiovisual works, with due regard to the financial perspective.

9 — The European Council emphasizes the importance of linguistic diversity in the European Union.



## **IV. PREPARATION FOR THE 1996 INTERGOVERNMENTAL CONFERENCE**

The European Council notes with satisfaction that preparations for the 1996 Intergovernmental Conference are now well under way. The Reflection Group of personal representatives of the Foreign Affairs Ministers and of the President of the Commission, with two representatives of the European Parliament also taking part, was set up in Messina on 2 June 1995. The Group has received reports from the institutions on the functioning of the Treaty on European Union, which will provide an input for its work. It has drawn up its programme of work.

The European Council confirms that, in line with its conclusions at Corfu, the Reflection Group will examine and elaborate suggestions relating to the provisions of the Treaty on European Union due for review and other possible improvements in a spirit of democracy and openness, on the basis of the evaluation of the functioning of the Treaty as set out in the reports. It will elaborate options in the run-up to the future enlargement of the Union on the institutional questions set out in its Brussels conclusions and in the Ioannina agreement (weighting of votes, the threshold for qualified majority decisions, number of members of the Commission and any other measure deemed necessary to facilitate the work of the institutions and guarantee their effective operation with a view to enlargement).

Furthermore, in view of the lessons which may be learnt more than a year and a half after the entry into force of the Treaty on European Union and of the challenges and risks linked in particular to the prospect of a further enlargement, the European Council considers that thoughts should now focus on a number of priorities to enable the Union to respond to its citizens' expectations:

- to analyse the principles, objectives and instruments of the Union, with the new challenges facing Europe;
- to strengthen common foreign and security policy so that it can cope with new international challenges;
- to provide a better response to modern demands as regards internal security, and the fields of justice and home affairs more generally;
- to make the institutions more efficient, democratic and open so that they are able to adjust to the demands of an enlarged Union;
- to strengthen public support for the process of European integration by meeting the need for a form of democracy which is closer to the citizens of Europe, who are concerned at employment and environment questions;
- to put the principle of subsidiarity into practice more effectively.

Lastly, the Group will bear in mind the advantages of seeking improvements in the working of the Institutions that do not require any amendment to the Treaties and can thus enter into force without delay.

As part of the strategy for preparing for the associated countries' accession to the Union, the necessary procedures should be established to ensure that they are kept fully informed of developments in the discussions at the Intergovernmental Conference, bearing in mind their status as future members of the Union.

The Heads of State and Government will continue discussing this matter at their informal meeting in Majorca on 22 and 23 September 1995 and the European Council will receive a full report from the Reflection Group for its meeting in Madrid in December 1995.

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