

COLOGNE EUROPEAN COUNCIL

3 - 4 June 1999

CONCLUSIONS OF THE PRESIDENCY

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INTRODUCTION

1. The European Council met in Cologne on 3 and 4 June 1999 to consider major issues for the future following the entry into force of the Amsterdam Treaty.
2. The European Council involved the President designate of the Commission, Mr Romano Prodi, in its proceedings in order to discuss with him basic questions concerning European Union policy over the next few years. It welcomed Mr Prodi's presentation outlining the future Commission's work and reform programme. In that context, the European Council confirms that it would like to see the appointment procedure for the new Commission continued swiftly and completed as soon as possible after the European Parliament elections.
3. At the start of the proceedings an exchange of views was also conducted with the President of the European Parliament, Mr José María Gil-Robles, on the main topics for discussion.



II. STAFFING DECISIONS

4. The European Council took several major staffing decisions. Pursuant to the Amsterdam Treaty, it designated Mr Javier Solana Madariaga for the new post of Secretary-General of the Council and High Representative for the Common Foreign and Security Policy. It designated Mr Pierre de Boissieu as Deputy Secretary-General.



III. GROWTH, EMPLOYMENT, COMPETITIVENESS

AND SUSTAINABLE DEVELOPMENT

5. With the introduction of the euro on 1 January 1999 the European Union reached its highest level of economic integration so far. At the same time the largest economic and monetary area in the world, apart from the USA, came into being. The introduction of the euro enables Europe to play a role commensurate with its economic weight in the global economy. A stable euro will strengthen Europe's ability to boost growth and employment.

6. The European Council affirms the global responsibility which Europe has assumed with introduction of the euro. The European Council again stresses the need for strict application of the provisions of the Stability and Growth Pact. This involves clearly keeping to realistic and credible budget targets in each financial year, which are certain to be achieved only through ambitious consolidation efforts in public budgets. The policy of overall economic stability and growth also requires a growth-oriented taxation policy, in particular a decrease in the fiscal and social security burden on the labour factor, and an employment-oriented wage policy by the parties to collective wage agreements.

European Employment Pact

7. Higher employment continues to be Europe's top objective. The European Council therefore takes the initiative for a European Employment Pact aimed at a sustainable reduction of unemployment. The European Employment Pact embodies a comprehensive overall approach bringing together all the Union's employment policy measures. The European Council endorses the Pact's three pillars, viewing them as long-term processes to be dovetailed, namely:

- coordination of economic policy and improvement of mutually supportive interaction between wage developments and monetary, budget and fiscal policy through macro-economic dialogue aimed at preserving a non-inflationary growth dynamic (Cologne process);
- further development and better implementation of the coordinated employment strategy to improve the efficiency of the labour markets by improving employability, entrepreneurship, adaptability of businesses and their employees, and equal opportunities for men and women in finding gainful employment (Luxembourg process);
- comprehensive structural reform and modernisation to improve the innovative capacity and efficiency of the labour market and the markets in goods, services and capital (Cardiff process).

8. To the European Council, a macro-economic dialogue in which representatives of the Council, the Commission, the European Central Bank and the social partners participate is an effective way to approach implementing the growth- and stability-oriented macro-economic policy forming part of the broad economic policy guidelines as pursued by the Member States and the Community. In the European Council's view, it provides a basis for effective cooperation between all those participating in it. The European Council approves the European Employment Pact - and also the memorandum entitled "Youth and Europe — Our future". It confirms its decision on the European Employment Pact and in this connection welcomes the social partners' statement.

9. As part of the concrete implementation of the Luxembourg and Cardiff processes the

European Council calls upon the Commission to:

- distil from the best-practice comparisons to date specific recommendations for employment-boosting measures by the Member States and report them to the Helsinki European Council;
- submit in September 1999 both its proposal for the common employment report and the new employment policy guidelines for the year 2000.

10. It also regards the following measures as special priorities:

- taking full advantage of structural change towards a services society, in particular identifying and exploiting areas with particular employment potential, and removing barriers to employment-intensive services;
- introducing employment-boosting and socially beneficial innovations on the employment markets. Here, the European Council invites the Commission and the Member States to examine whether and how to:
 - derive more employment potential from the creation of jobs in the labour-intensive part of the services sector;
 - make the Luxembourg process even more effective by setting additional verifiable quantitative targets;
 - achieve optimum transparency in the context of the Luxembourg process on measures and approaches taken by national employment action plans;
 - make changes in work organisation and working time help generate new jobs.

11. The European Council welcomes the decision to convene a special meeting of the European Council on employment, economic reform and social cohesion (towards a Europe of innovation and knowledge) under the Portuguese Presidency in the spring of 2000 in order to review the progress made after the Cologne, Cardiff and Luxembourg processes. A forum of representatives of the governments of the Member States, the Commission, the European Parliament, the social partners and of the European Central Bank will evaluate the results.

12. The European Council welcomes the Commission report on the employment indicators and calls upon the Commission and the Member States to continue work in this area.

13. Europe needs an investment initiative. The European Council has decided on extra incentives for higher employment and investment. The package of measures in question includes a broadening of the European Investment Bank's activities, mobilisation of Community policies on the basis of the decisions taken by the Berlin European Council concerning the employment aim and the speeding up of innovation.

14. The European Council calls on the European Investment Bank to take the following action in all the Member States of the Union, viz. to:

- release an extra Euro 500 million from the current risk-capital budget, so as to double the resources for the European Technology Facility. Speedy implementation will make additional incentives possible;
- make available an extra billion euros for risk-capital funding benefiting high-technology investments of small and medium-sized enterprises in the period 2002 to 2003, also in cooperation with the European Investment Fund; this would represent a valuable contribution towards improving the own-capital base of high-growth SMEs

- and creating employment;
- continue, and widen, credit allocation for urban renewal, education and health and also environmental protection, including renewable energy promotion;
- support and supplement Community structural and regional assistance, especially in areas that will no longer qualify for assistance in future. The reform of structural assistance will provide extra room for manoeuvre to further the regions' development potential through loan funding;
- back up the Community's pre-accession strategy by widening credit allocation to include applicant countries; dynamic economic trends in those countries also have a beneficial effect on employment in the European Union.

15. The decisions taken by the Berlin European Council offer great opportunities to boost growth and employment by implementing Community policies effectively:

- Structural assistance: over the period 2000 to 2006, the resources available from the European Structural and Cohesion Funds will amount to Euro 213 billion. The Member States and the Commission are urged to adopt their new assistance programmes quickly, so that assistance can continue without interruption after the year 2000. The aim is to ensure that the assistance has the maximum employment impact.
- The operations of the Social Fund are to support the European Employment Strategy and the National Action Plans. The assistance provided by the Regional and Cohesion Funds is to help develop infrastructure and make the economy more competitive. Rural development measures are designed to create employment opportunities outside the agricultural sector.
- Provision has been made to increase the resources for developing the Trans-European Networks to Euro 4,6 billion by 2006. The European Council calls upon the Commission and the Member States to:
 - submit an extended list of priority projects;
 - speed up project approval;
 - consider, in cooperation with the European Investment Bank, the scope for increased use of mixed public-private financing;
 - explore the scope for facilitating investment by institutional investors;
 - pay greater attention to public investment in infrastructure in their stability or convergence programmes.
- The Council and the European Parliament are invited to take quick decisions on the programmes awaiting adoption (SOCRATES, Youth) in particular in order to speed up their effect on employment.

16. The jobs of the future will be created by innovation and the information society.

- The 5th Community framework Research Programme, with its budget of Euro 15 billion, is intended to speed up the process of innovation and exploit the Community's potential for employment and growth to the full. The more competitive Europe becomes in the high technology sector, the more high-quality employment opportunities will be created.
- The development of a European navigation satellite system (Galileo) should be given careful scrutiny, in view of its strategic importance. The Council is invited to expedite its discussion of the Commission communication on the system with the aim of securing finance largely from private sources.
- Europe has to take a leading role in the information society:

- All schools must be given access to the Internet as soon as possible.
- To develop Europe's leading position in electronic commerce, there must be improved policy coordination to create a favourable environment, and a Directive which has the support of the industry must be adopted speedily.

17. The European Council instructs the Commission and the Member States to work together with business representatives to identify the obstacles to the speedy development and application of information technology and to work out proposals for solving the problems. In so doing, the need for standardisation and deregulation should be kept in mind.

Broad guidelines for economic policies

18. The European Council welcomes the broad guidelines for economic policies in the Member States and the Community and recommends their adoption to the Council. The country-specific recommendations calling on all the Member States to step up their economic policy efforts are especially important.

19. It considers that the key to sustainable non-inflationary growth and increased employment lies in a properly coordinated mix of macro-economic policies geared towards growth and stability and comprehensive structural reforms at Community and national levels. The European Council takes the view that, to make a lasting success of economic and monetary union, there will need to be enhanced and appropriate policy coordination as well as dialogue with both sides of industry and with the European Central Bank. The European Employment Pact will make a major contribution in this regard.

20. In the euro area the enhanced dialogue in the Euro 11 Group will also contribute to achieving a more balanced policy mix. The European Council calls on governments and both sides of industry to support monetary policy in its priority role of maintaining stability. It will also be important to keep up efforts to achieve budgetary positions which are close to balance or in surplus over the medium term, appropriate wage development and comprehensive structural reforms.

Tax policy

21. The European Council takes note of the second interim report of the Code of Conduct Group and is pleased to see that good progress has been made in discussions on the proposals for Directives on the taxation of investment income. It welcomes the constructive discussions with third countries in Europe on more effective taxation of interest.

22. The European Council emphasises the need to make tax systems in Europe more employment- friendly and to combat harmful tax competition. Confirming the conclusions of the Vienna European Council, the European Council calls for:

- the Council to continue discussions on the proposals for a Directive on the taxation of savings and a Directive on interest and royalties so that agreement is reached before the Helsinki European Council;
- the Council to continue its work on a framework for the taxation of energy on the basis of the ECOFIN Council report, bearing in mind the impact it will have on the environment;
- the discussions of the Code of Conduct Group to be brought to a conclusion at the

latest by the time of the Helsinki European Council.

23. The European Council welcomes the Council's second progress report on reinforced tax policy cooperation and invites a third report by the time of the Helsinki European Council.

24. The European Council invites the Council to discuss, with a view to adoption, the proposal submitted by the Commission for a Directive to allow those Member States that so wish to introduce, on a trial basis, lower value added tax rates on labour-intensive, non-cross-border services.

Single market for financial services

25. The European Council welcomes the Council report and the communication from the Commission on its Action Plan for creating a single market in financial services. In view of the growing challenge posed by competition between financial markets and their overall economic importance for growth and employment, it considers rapid progress in this area to be essential. The European Council supports in principle the proposals and priorities of the Action Plan, which should be examined in detail by the relevant committees.

26. The European Council asks the Commission to continue its work on the basis of the discussions in the Working Party on Financial Services, which will continue to consider questions of strategy, discuss cross-sector developments and monitor progress with the Action Plan.

Improvement in the functioning of the international financial system

27. The European Council welcomes the Council report on improvements in the functioning of the international financial system and calls upon the Member States to work together closely to implement the proposals. It attaches particular importance to increased private sector involvement in the prevention and resolution of financial crises. In this connection, it points to the need to step up work to establish more effective rules on private sector involvement in the costs of turbulence on the financial markets. The European Council also supports efforts to make regulation of the financial markets more effective, especially in threshold countries; this should also be extended to highly leveraged institutions and offshore financial centres. The European Council welcomes the establishment of the Financial Stability Forum as a major step in this direction. It emphasises that all efforts to improve the functioning of the international financial system should remain within the framework of the existing Bretton Woods institutions and highlights the central role of the International Monetary Fund.

Indebtedness of the poorest countries

28. It is important to find a lasting solution to the debt problems of the poorest countries. The European Council welcomes the common European position on improving the debt initiative for heavily indebted poor countries and supports a faster debt reduction process for the poorest countries and ambitious aims as regards the extent of debt remission. It emphasises that debt relief should be more closely linked with a strategy for poverty alleviation. The Member States are prepared to support an increase in the remission percentage on commercial loans to 90% or more at the Paris Club and will seek to promote further reductions for debt from official development aid. Within this framework, with appropriate burden-sharing,

Europe is ready to bear its fair share of the cost of an improved debt initiative.

Climate policy, environment and sustainable development

29. The European Council emphasises the desire of the European Union to fulfil the commitments undertaken in Kyoto to reduce greenhouse gas emissions and to press vigorously for the creation of the conditions for speedy ratification of the Kyoto Protocol under the action plan adopted in Buenos Aires. The negotiating position formulated in the Council conclusions of 17 May 1999 is reaffirmed. The European Council views the ratification and implementation of the Kyoto Protocol as an important milestone, but it also stresses the urgent necessity of further measures, especially in industrialised countries.

30. The European Council stresses the importance attaching to the development of joint and coordinated policies and measures at Community level to supplement the efforts of the Member States. All relevant sectors are urged to make their contributions within the framework of an overall climate protection strategy. Climate policy is the most important example of the Council's commitment, founded on the Treaty of Amsterdam, to incorporate the requirements of the environment and sustainable development into other Community policies.

31. The European Council calls upon the Council in its various specialised formations to give particular attention to the climate problem in the preparation of its integration strategies for the European Council meeting in Helsinki. It sees a special need for action in determining the prerequisites for less emission-intensive and more environmentally-friendly transport systems, and as regards increased unhindered consumption and further development of renewable energy sources. The European Council also considers an appropriate framework for energy taxation to be necessary and urges the Council (Economic and Financial Questions) to reach an early decision in the course of its discussions. The European Council takes note of the incoming Presidency's initiative to step up the Community's activities on climate matters.

32. The European Council takes note of the report by the Commission on "Integrating environmental aspects into all relevant policy areas" and of the progress achieved in the Council since the Vienna meeting. It reaffirms its intention to re-examine overall progress in December 1999 at its Helsinki meeting and calls attention to the reports requested. It calls upon the Council (General Affairs, Economic and Financial Questions and Fisheries) to report back to it in 2000 on the integration of environmental issues and sustainable development into each of the policy areas.

European Anti-Fraud Office

33. The European Council welcomes the decisions of the European Parliament of 6 May 1999 and of the Council (Economic and Financial Questions) of 25 May 1999 setting up the new European Anti-Fraud Office. It welcomes in particular the exemplary, close and constructive cooperation between the European Parliament, the Council and the Commission, which has made possible the speedy establishment of the legal bases permitting the Office to commence operations as planned as of 1 June 1999. A timely political signal was thereby given that the Union is equally capable of action in its fight against fraud, corruption and mismanagement.

34. The Office must be equipped with the necessary staffing and financial resources to provide effective protection of the Community's financial interests on behalf of European

taxpayers. Only in this way can the misappropriation of subsidies and irregularities in the Member States and within the institutions and bodies of the European Union be effectively combated and the trust of citizens in the national and European agencies concerned be re-established.

35. The European Council notes with satisfaction that in addition to the aforementioned institutions, most of the other bodies, offices and agencies which have come into existence as a result of the Community Treaties have also immediately declared their willingness to open their doors where required to an internal investigation by the Anti-Fraud Office. It is in the view of the European Council eminently desirable that all Community bodies should join this interinstitutional initiative, and it therefore invites the European Court of Justice, the European Court of Auditors, the European Central Bank and the European Investment Bank to consider as soon as possible the terms under which the Office may carry out internal investigations in those bodies too and also what form cooperation with the Office might take.

Millennium bug

36. At its meetings in Cardiff and Vienna, the European Council referred to the information technology problems which may be caused by the change of millennium and made an urgent request to the Member States to take measures to limit possible disturbances to a minimum. Extensive work has already been done on this. With the approach of the date change, the European Council calls on the Commission to step up its efforts and to convene a high-level working party to which can put forward proposals for strategic decisions which may be required within the European Union to ensure the proper functioning of essential areas of infrastructure should computer problems arise in connection with the change of millennium. The European Council further invites the Commission to collect information on preventive measures taken throughout the world and make it available to the public.

Road safety

37. In view of the tragic tunnel incidents in Europe, the European Council invites the Council (Transport) to address the topic of tunnel safety, including transport of dangerous goods, with a view to submitting as soon as possible recommendations for improving safety and further developing high safety standards to apply uniformly throughout Europe.

Outermost regions

38. The European Council invites the Commission to submit to the Council by the end of 1999 a report identifying a package of measures to implement the provisions of Article 299(2) of the EC Treaty with regard to the outermost regions.



IV. FURTHER DEVELOPMENT OF THE EUROPEAN UNION

39. In the past few months considerable progress has been made towards taking the European Union into the twenty-first century. With agreement on Agenda 2000, necessary reforms

entailed by enlargement have been decided upon and the financial framework of the Union has been secured for the next seven years.

40. The European Council notes with satisfaction the progress achieved since the Berlin European Council meeting in the implementation of Agenda 2000, in particular with regard to the enactment of the relevant legislation and the conclusion of the interinstitutional agreement on budget discipline. It calls on the Commission to submit a proposal as soon as possible for a new own- resources decision, so that this can enter into force in early 2002 as provided for in the Berlin conclusions.

41. Consciousness of a common cultural heritage is also part of European union. For this reason the European Union encourages cultural cooperation and cultural exchanges. This means sustaining and promoting the variety and richness of European cultures. The European Council therefore welcomes the agreement reached on the key European cultural promotion actions over the next few years: the European Capital of Culture and the new framework programme for cultural promotion, entitled Culture 2000. The European Council supports the promotion of cultural projects by the Structural Funds, provided they contribute towards the creation of permanent employment.

42. The European Council welcomes the fact that the cultural framework programme promotes in particular the improvement of knowledge of European peoples' culture and history and that books assume an important role in this connection as cultural assets, as recognised by the Council in a Resolution of 8 February 1999.

Area of freedom, security and justice

43. The European Council calls attention to the action plan for the creation of an area of freedom, security and justice, which it approved in Vienna, and calls upon the institutions to press ahead swiftly with the action plan's implementation. It welcomes the fact that the European Parliament has approved a Resolution on the Vienna action plan and gave due consideration to this subject at a conference with Members of Parliament from the Member States on 22 and 23 March 1999. The results of the conference will be taken into consideration when the European Council establishes the political guidelines for future European justice and home affairs policy at its extraordinary meeting in Tampere on 15 and 16 October 1999.

EU Charter of Fundamental Rights

44. The European Council takes the view that, at the present stage of development of the European Union, the fundamental rights applicable at Union level should be consolidated in a Charter and thereby made more evident.

45. To this end it has adopted the Decision appended as Annex IV. The incoming Presidency is asked to establish the conditions for the implementation of this Decision by the time of the extraordinary meeting of the European Council in Tampere on 15 and 16 October 1999.

Human rights

46. The European Council takes note of the Presidency's interim report on human rights. It suggests that the question of the advisability of setting up a Union agency for human rights

and democracy should be considered.

Operation of the institutions

47. The European Council emphasises the importance it attaches to the internal reform and modernisation of the Commission and of the European civil service. It appreciates the measures being taken by the acting Commission. It welcomes the intention of the President designate of the Commission to implement far-reaching reforms, which are necessary in order for the Commission to carry out its tasks efficiently in a structure geared to coordination and cooperation.

48. The European Council will work closely with the future President of the Commission and support him in creating a Commission marked out by improved financial and personnel management, the highest standards of integrity and transparency and a slim administration with a clear division of spheres of operation and responsibility. The new Commission's structure and division of labour should reflect the new requirements and the need for genuine reform. The European Council welcomes the intention of the President designate of the Commission to present specific proposals for reform to this end at the beginning of 2000.

49. The European Council recalls that the method of adjusting remuneration and pensions expires on 30 June 2001. It welcomes the Commission's intention of submitting relevant reform proposals in good time and also at the same time explaining its thinking on the reform of staffing policy.

50. The European Council welcomes the submission by the Secretary-General of the Council of the report on the working of the Council in an enlarged Union. It calls upon the Council (General Affairs), in the light of that report, to submit, in time for the European Council meeting in Helsinki, specific proposals for improving the operation of the Council with a view to enlargement.

51. The European Council calls on the new European Parliament to bring the question of the Statute of Members of the European Parliament to a conclusion as a matter of urgency.

Intergovernmental Conference on institutional questions

52. In order to ensure that the European Union's institutions can continue to work efficiently after enlargement, the European Council confirms its intention of convening a Conference of the Representatives of the Governments of the Member States early in 2000 to resolve the institutional issues left open in Amsterdam that need to be settled before enlargement. The Conference should be completed and the necessary amendments to the Treaties agreed upon at the end of 2000.

53. In accordance with the Amsterdam Protocol on the institutions with the prospect of enlargement of the European Union and the declarations made with regard to it, the brief of the Intergovernmental Conference will cover the following topics:

- size and composition of the Commission;
- weighting of votes in the Council (re-weighting, introduction of a dual majority and threshold for qualified-majority decision-making);

- possible extension of qualified-majority voting in the Council.

Other necessary amendments to the Treaties arising as regards the European institutions in connection with the above issues and in implementing the Treaty of Amsterdam, could also be discussed.

54. The European Council invites the incoming Presidency to draw up, on its own responsibility, for the European Council meeting in Helsinki, a comprehensive report explaining and taking stock of options for resolving the issues to be settled. In so doing, the Presidency will take into account proposals submitted by Member States, the Commission and the European Parliament. The Presidency may also consider the question of further consultation. An appropriate exchange of views should be held with the applicant countries within existing fora.

Common European security and defence policy

55. The European Council continued its discussion on a common European policy on security and defence and issued the annexed declaration on the further development of a common European security and defence policy. It welcomes the work of the German Presidency and endorses the Presidency report set out in Annex III as a basis for further work. The European Council invites the incoming Presidency to continue work with a view to a further report to the European Council at its meeting in Helsinki.

56. The European Council invites the Council (General Affairs) to deal thoroughly with all discussions on aspects of security, with a view to enhancing and better coordinating the Union's and Member States' non-military crisis response tools. Deliberations might include the possibility of a stand-by capacity to pool national civil resources and expertise complementing other initiatives within the common foreign and security policy.

Enlargement process

57. The European Council notes with satisfaction that the accession negotiations have further gathered momentum and are on the right track. It welcomes the positive results of the second round of substantive negotiations in the first half of 1999 with Cyprus, the Czech Republic, Estonia, Hungary, Poland and Slovenia on a number of important and complex areas. The European Council emphasises its resolve to continue to maintain the momentum of negotiations. To that end the European Union will open negotiations in all areas covered as early as possible next year.

58. The European Council welcomes the fact that the analytical examination of the "acquis" with Bulgaria, Latvia, Lithuania, Romania and Slovakia has now moved on from the multilateral phase to the crucial bilateral phase, which will allow those countries to speed up their preparations for membership. The Helsinki Council will examine the progress made by the accession candidates and draw the necessary conclusions.

59. It emphasises once again the conclusions reached by the European Council in Luxembourg that decisions on the opening of further negotiations can only be taken on the basis of the criteria established by the Copenhagen European Council. At the same time it highlights the importance also attaching to the prospect of accession for applicant countries with which negotiations are not yet under way. For this reason it invites the Commission, in

its next progress reports, to consider measures which can help crystallise that prospect for all applicant countries. The European Council welcomes the constant progress in the candidate countries and encourages them to continue their reforms and adjustment efforts.

60. The European Council emphasises the importance of high standards of nuclear safety in Central and Eastern Europe. It stresses the importance of this issue in the context of the Union's enlargement and calls on the Commission to examine this issue thoroughly in its next regular progress reports on the applicant countries, due in autumn 1999.

61. The European Council welcomes the fact that, on the basis of the Commission's updated opinion on Malta's accession application, it has now been possible to make a start on analytical examination of the Union "acquis" with Malta. The Commission will also submit a report, in good time for the Helsinki European Council meeting, on Malta's progress in preparation for accession, to form the basis, together with the corresponding reports on the other applicant countries, for any decisions to be taken by the Helsinki European Council.



V. EXTERNAL RELATIONS

Kosovo

62. The European Council adopted the declaration on Kosovo set out in the Annex.

Western Balkans

63. Throughout the crisis, the European Union has been in the forefront of efforts to ease the plight of refugees and displaced persons. The European Council reaffirms the willingness of the European Union and its Member States to continue to do their utmost to support the countries in the region and the humanitarian aid organisations in fulfilling their important humanitarian mission. In this connection it welcomes the extraordinary efforts of the countries in the region, particularly Albania and the Former Yugoslav Republic of Macedonia, to grant temporary protection and shelter to the displaced persons in spite of the severe economic and social burden.

64. The European Council emphasises the Union's commitment to regional stability and its pledge to stand by the countries in the region and help shoulder the burden imposed on them by the Kosovo crisis. The European Council recalls the Euro 100 million financial assistance package pledged to countries in the region.

65. The European Council reiterates the European Union's commitment to take a leading role in the reconstruction efforts in Kosovo, and calls on other donors to participate generously in the reconstruction effort. To this end, a clear and effective transitional administration of the province will need to be established in the framework of the political solution. This administration, which could be headed by the European Union, will need to have the authority and capacity to act as a counterpart to the international community, enabling an effective reconstruction and rehabilitation process.

66. The European Council invites the Commission to develop, as a matter of priority, proposals regarding the organisation of reconstruction assistance envisaged, in particular on the appropriate means and mechanisms to be put in place and the necessary human and financial resources to carry out the process.

67. Conscious of the exceptional effort that will have to be made to reconstruct the region following the end of the crisis and of the necessity to put in place rapidly the most appropriate measures, the European Council invites the Commission to elaborate proposals before the end of June aimed at creating an agency to be charged with the implementation of Community reconstruction programmes. The Council, the European Parliament and the Court of Auditors are called upon to do their utmost to allow the agency to become operational before the end of the summer.

68. In the light of the foreseeable needs the European Council invites the Commission to come forward as soon as possible with proposals for additional human and financial resources for refugee relief and return, including, as appropriate, the mobilisation of the existing Euro 196 million reserve on the current European Community budget, transfer of funds from other budget lines or a proposal for a supplementary budget for 1999. Appropriate solutions will be needed for the following years.

69. The European Council looks forward to adopting a Common Strategy on the Western Balkans, in accordance with the conclusions of the Vienna European Council, and invites the Council to continue to press ahead with the necessary preparations.

70. The European Council confirms the position of the European Union in connection with sports events with the Federal Republic of Yugoslavia. The Council will re-examine the matter after a UN Security Council Resolution has been adopted.

Stability Pact for South-Eastern Europe

71. The European Council warmly welcomes the progress made towards defining the Stability Pact for South-Eastern Europe, and looks forward to early agreement at the planned Ministerial meeting to be held in Cologne on 10 June. The Stability Pact will help to enhance peace, stability and prosperity in, and cooperation between, countries in the region. The participation of the Federal Republic of Yugoslavia in this process will be examined in due course, once it has met the conditions of the international community on Kosovo. The settlement of the Kosovo crisis represents a prerequisite. Furthermore, the European Council recalls the necessity for progress in democratic freedoms and respect for the rights of minorities.

72. The European Council reaffirms the readiness of the European Union to draw the countries of this region closer to the prospect of full integration into its structures. This will be done through a new kind of contractual relationship taking into account the individual situations of each country, including progress in regional cooperation, and with a prospect of European Union membership on the basis of the Amsterdam Treaty and fulfilment of the criteria defined at the Copenhagen European Council in June 1993.

73. The European Union will do its utmost to support the Republic of Montenegro under its democratic Government, making it a beneficiary of the Stability Pact process right from the

beginning.

74. The European Council emphasises its determination that the European Union should take the lead in the implementation of the Stability Pact. It invites the Council and the Commission to give priority to taking the necessary implementing measures. The Union will actively assist the countries in the region in their efforts to achieve the goals of the Stability Pact. In keeping with its leading role, the European Union will appoint, after consultation with the Chairman-in-Office of the Organisation for Security and Cooperation in Europe and other participants, the Special Coordinator for the Stability Pact.

75. The European Council takes note of the efforts of the Commission and the World Bank in developing a coherent international assistance strategy and in preparing rapidly for a donors conference process for South Eastern Europe, based on a joint realistic assessment of financial means for economic reconstruction of the region in mid- and long term perspective.

76. The European Council confirms its willingness to contribute substantially to the reconstruction efforts and calls upon other donors to join these efforts generously.

77. The European Council reiterates the importance of effective coordination among Commission, International Financial Institutions and bilateral donors. In this context, the Special Coordinator of the Stability Pact will have to play an important role.

Common strategy on Russia

78. The European Council decided on a common strategy of the European Union on Russia. This first common strategy will strengthen the strategic partnership between Russia and the European Union, which is so crucial to maintaining peace and security in Europe and beyond and to meeting common European challenges. To this end the European Union looks forward to working with a Russia that is increasingly open, pluralistic, democratic and stable and is governed by the rule of law, underpinning a prosperous market economy. This cooperation strengthens the partnership between the European Union and Russia, giving it a horizon extending far into the next century.

79. With the adoption of this common strategy, that important common foreign and security policy instrument newly created by the Treaty of Amsterdam is being used for the first time just a few weeks after the Treaty's entry into force. By introducing majority decision-making, which it makes possible, the common strategy strengthens the cohesion and effectiveness of action by the Union, the Commission and the Member States.

Other common strategies

80. The European Council recalls that at its Vienna meeting it called on the Council also to prepare common strategies on Ukraine, on the Mediterranean region, specifically taking into account the Barcelona process and the Middle East peace process, and on the western Balkans. The six months since the Vienna meeting have, in various ways, again clearly brought out the importance of all these regions to the European Union not only as partners in its external relations but also for the stability and security of our continent and its immediate neighbourhood. The European Union both has a special responsibility and is in a special position to work in close partnership with all of its neighbours to achieve these objectives, complementing the common strategy adopted for Russia. The European Council welcomes

the preparatory work carried out so far and calls on the Council to press ahead with work on the other three common strategies decided on in Vienna in order to complete each of them as soon as possible. When determining further areas to form the subject of common strategies, thematic issues such as human rights and democracy should also be considered.

Ukraine

81. The European Council welcomes the increasing cooperation with Ukraine under the Partnership and Cooperation Agreement in operation since March 1998, which has brought a new quality of relations. Full use should be made of the considerable potential afforded by that Agreement so as to bring Ukraine into closer contact with the European Union. The European Council urges Ukraine to follow its reform policy through consistently and assures it of constant support in the process.

82. The European Council recalls the G7-Ukraine Memorandum of Understanding on the closure of the Chernobyl nuclear power plant. It emphasises the need to do everything possible to effect decommissioning in 2000 as agreed, and calls on the international community to consider measures which will make the consequences of closing down the Chernobyl nuclear power plant bearable for Ukraine.

83. The European Council highlights the crucial importance it attaches to the European Union common strategy for the further extension of the already close-knit network of relations between the European Union and Ukraine.

Transatlantic Relations

84. The European Council welcomes the close transatlantic cooperation over major international issues such as the Kosovo crisis. The European Union-Canada and European Union-US Summits on 17 and 21 June offer an opportunity for further developing the transatlantic relationship, which is fundamental to international stability and for ensuring that problems in relations are resolved in a mutually satisfactory way. In this spirit, the European Council is convinced that further efforts will have to be made on both sides to prevent, for example by the establishment of an effective early warning system, the many, deep-rooted trade disputes from compromising the general climate of bilateral relations. The involvement in the Transatlantic Dialogue of people and organisations affected by policy decisions will play an increasingly important role here. The European Council stresses the importance of the Transatlantic Action Plan and the Transatlantic Economic Partnership.

European Union-Japan relations

85. The European Council welcomes the close cooperation between the European Union and Japan, particularly in the framework of the Political Dialogue and on questions of bilateral and multilateral economic relations. The European Union-Japan Summit on 20 June will develop this close cooperation still further. Japan is a particularly important political and economic partner of the European Union in Asia. The European Council therefore stresses that the European Union and Japan have a common interest in peace, stability and prosperity in Asia, Europe and the whole world.

Middle East

86. Following the elections in Israel the European Council reiterates its Berlin Declaration (25 March 1999) and stresses the importance of a negotiated solution in the Middle East. It calls on the Israeli and Palestinian sides to implement the Wye River Memorandum fully and without delay and to resume negotiations on final status as soon as possible with a view to establishing a comprehensive, just and lasting peace in the region.

87. The European Council also welcomes the intention expressed by the newly elected Israeli Prime Minister to resume negotiations with the Palestinians and Syrians and his plans to seek a rapid solution to the problem of the withdrawal of Israeli troops from Lebanon. The European Council also supports the multilateral level in the peace process and encourages the Working Parties to orientate their work towards the development of regional cooperation and integration. The European Council reaffirms the European Union's resolve fully to assume its role in the peace process and commends the work being done by the European Union's Special Envoy, Mr Moratinos.

Euro-Mediterranean Partnership

88. The European Council welcomes the outcome of the Third Euro-Mediterranean Conference, held in Stuttgart on 15 and 16 April 1999. The European Council is appreciative of the fact that, at a time of particular political difficulty for the region, it proved possible to reaffirm the total commitment of all the participants to the aims and principles of the Barcelona Declaration and to give powerful impetus for further development of the partnership in all three areas. It calls on the Council and the Commission to press ahead with implementing the decisions taken in Stuttgart, in particular as regards improving intraregional cooperation in all areas of the partnership and closer involvement of players outwith central governments.

European Union-Latin America Summit

89. The European Council warmly welcomes the first Summit between the Heads of State and Government of the European Union, Latin America and the Caribbean, to be held in Rio de Janeiro on 28 and 29 June 1999. This historic event, in highlighting the excellent and close relations between the two regions, will launch a new strategic partnership, strengthening the political, economic and cultural understanding between our regions.

90. The European Council acknowledges with satisfaction the progress of the current negotiations with Mexico, and hopes that an agreement may be reached as soon as possible, and in any case in the current year.

91. The European Council marks its satisfaction on the decision by the Council of Ministers on the pledging of Euro 250 million for the financing of a reconstruction and rehabilitation plan in Central America, and entrusts the Commission with the earliest implementation of the plan.

Northern Dimension

92. The European Council considers the guidelines adopted by the Council for a "Northern Dimension" in European Union policy as a suitable basis for raising the European Union's profile in the region. It welcomes the incoming Presidency's intention of holding a Ministerial

Conference on the Northern Dimension on 11 and 12 November 1999. The Northern Dimension is conceived as a way of working with the countries of the region to increase prosperity, strengthen security and resolutely combat dangers such as environmental pollution, nuclear risks and cross-border organised crime. To achieve these aims, the European Council believes that after the Conference in November the possibility of drawing up an action plan should be considered. Now that the guidelines have been agreed, it is time to bring about closer involvement of the acceding countries concerned, the Russian Federation, Norway and Iceland in the process as it unfolds.

Transcaucasian Summit

93. The European Council underlines the importance of the Transcaucasus for stability at the dividing line between Europe and Asia and applauds the progress made in relations. The European Council expects the meeting between the European Union and the three Transcaucasian Presidents in Luxembourg on 22 June on the occasion of the entry into force of the Partnership and Cooperation Agreements to give new impetus for the future to the European Union's relations with Armenia, Azerbaijan and Georgia. The European Council is convinced that this will also facilitate regional cooperation and hence the quest for lasting solutions to persisting conflicts in the region.

East Timor

94. The European Council warmly welcomes the signing of the New York Agreements on East Timor, which open the way for a just settlement of a long-standing international conflict through consultations to establish the free will of the East Timorese people. It expresses its appreciation for the successful efforts of the Secretary-General of the United Nations and the parties to achieve this historic result.

95. The European Council shares the deep concerns expressed by the Secretary-General of the United Nations in his report to the Security Council on the tense and volatile situation that continues to prevail in East Timor.

96. The European Council reaffirms its support for the proposals of the Secretary-General of the United Nations on setting up a UN mission to East Timor (UNAMET) to organise the consultation process. It invites the Council to consider the possibility of sending out a European observation team to East Timor in accordance with the provisions of the agreement on the arrangements for the consultation process.

Macao

97. The European Council looks forward to the transition process in Macao being concluded in the same positive atmosphere which has hitherto marked it throughout. It is confident that full implementation of the 1987 Sino-Portuguese joint declaration will ensure a harmonious transfer of responsibilities on 20 December 1999 and believes that a high degree of autonomy of the future Special Administrative Region and continuity of Macao's specific social, economic, legal and cultural identity will provide a basis for its stability and prosperity.

98. The European Council is confident that existing relations and ongoing cooperation between the Union and Macao will improve, thus favouring the further development of the

area.

World Trade Organisation (WTO)

99. The European Council attaches great importance to strengthening the multilateral trading system and stresses that a further multilateral liberalisation of trade is the best way of meeting the challenges posed by swift and far-reaching economic change and increasing globalisation.

100. The European Council strongly advocates the launch of a new comprehensive round of negotiations in the WTO framework at the 3rd WTO Ministerial Conference in Seattle at the end of 1999; that round will begin in the year 2000 and if possible should be concluded within three years. Negotiations covering a broad spectrum of topics, including labour standards, environment, development and transparency, are the most appropriate approach for achieving substantial and balanced results for the benefit of all WTO members.

101. The European Council, with an eye to the opportunities for growth which trade affords, considers that closer integration of the developing countries into world trade is essential and is therefore prepared to offer those countries improved market access.

102. The European Council welcomes the accession of further States to the WTO. It wholeheartedly endorses the efforts made by China and Russia to date to achieve WTO accession and urges the Council and the Commission to support early accession by China on the basis of a fair balance of interests and to encourage Russia's endeavours to adapt to the requirements of WTO accession.