



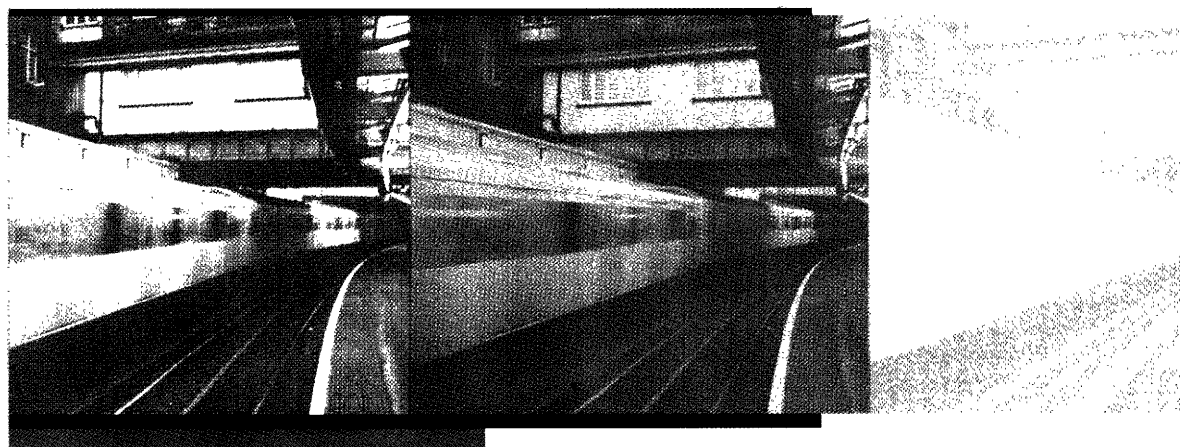
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COUNCIL OF  
THE EUROPEAN UNION

GENERAL SECRETARIAT

# Progress achieved by the European Union

1995-1999



Progress achieved  
by the European Union  
1995–99

Collected annual reports of  
the European Council submitted  
to the European Parliament

## **Notice**

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The European Council shall provide the Union with the necessary impetus for its development and shall define the general political guidelines thereof.

The European Council shall bring together the Heads of State or Government of the Member States and the President of the Commission. They shall be assisted by the Ministers for Foreign Affairs of the Member States and by a Member of the Commission. The European Council shall meet at least twice a year, under the chairmanship of the Head of State or Government of the Member State which holds the Presidency of the Council.

The European Council shall submit to the European Parliament a report after each of its meetings and a yearly written report on the progress achieved by the Union.

TREATY ON EUROPEAN UNION — *Article 4*

Annual report on progress achieved  
by the European Union  
1995



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## INTRODUCTION

For the European Union, 1995 opened with its enlargement to three new Member States: Austria, Finland and Sweden. This new Union of 15 reiterated throughout the year its determination to respond to the essential questions facing contemporary society both inside and outside the Community, and confirmed its wish to press on with the realisation of the objectives set out in the Treaty on European Union.

In the hope of promoting balanced and sustainable economic and social growth, the European Council confirmed unequivocally that the third stage of economic and monetary union would begin on 1 January 1999 and decided that the single currency was to be called the 'euro', and it adopted a scenario for the changeover to that currency; it firmly resolved to mobilise every possible means of combating unemployment effectively, taking the view that job creation was the principal social, economic and political objective of the Union and its Member States.

The Community institutions and the Member States have used their best endeavours to respond to citizens' legitimate expectations. The operation of the internal market, the management of the reform of the common agricultural policy, the accelerated progress in the sectors of transport, energy, telecommunications and research and technological development, the consolidation of progress in the new areas covered by the European Community and intergovernmental cooperation demonstrate the desire to bring policies closer to the citizen and to make further advances in combating social exclusion.

The year 1995 was characterised by the consolidation of the institutional reforms introduced by the Treaty on European Union.

Enlargement of the Union is at one and the same time a political necessity and a historic opportunity for Europe which, by guaranteeing the stability and security of the continent, offers not only the applicant countries but also the existing members of the Union fresh prospects for economic growth and general well-being. The European Council meetings in Cannes and Madrid confirmed that negotiations for the accession of Malta and Cyprus would begin six months after the conclusion of the 1996 Intergovernmental Conference, in the light of its outcome. With regard to the associated countries of central and eastern Europe, including the Baltic States (hereinafter referred to as CCEE), the Madrid European Council expressed the hope that the initial phase of the negotiations would coincide with the opening of the negotiations with Cyprus and Malta.

Respect for and protection of human rights remain the foundation of the Union's policy both within the Union and in its relations with the rest of the world. Taking human rights as a major plank in its common foreign and security policy, the Union has continued its action vis-à-vis countries where serious violations of democratic principles and of human rights persist.

The constant priority the Union gives to its neighbours is evidenced by the geographic and thematic scope of its external action, be it in former Yugoslavia or the Middle East peace process. Just as constant is the Union's wish to make a timely contribution, both in other regions of the world, such as Africa in particular, and with respect to international issues of concern. The crisis in former Yugoslavia continues to give the European Union the gravest concern in view of the very serious threat it

poses to peace and stability on the European continent and the unacceptable human suffering it engenders.

In the context of the 50th anniversary of the United Nations Charter, the Union solemnly reaffirmed its attachment to the aims and principles of the charter and repeated its commitment to the ideals and action of the United Nations Organisation; it also recalled the Union's readiness — as by far and away the major financial donor, the prime contributor of troops to peace-keeping operations and the main donor of multilateral development and humanitarian aid — to maintain its support for the organisation.

On the occasion of the 20th anniversary of the signing of the Helsinki Final Act, the Union reiterated its conviction that the Organisation for Security and Cooperation in Europe (OSCE), the only organisation bringing together all European States and the United States and Canada, was

capable of playing a significant role in building a united, stable and secure Europe, and restated its intention of making an active contribution to strengthening the OSCE.

On the 40th anniversary of the Messina Conference, the European Parliament, the Council and the Commission adopted a solemn declaration of the European Union saluting the progress made over these 40 years and urging continuation of these efforts with the same determination, particularly with an eye to the forthcoming Intergovernmental Conference on the revision of the Treaty. With respect to this reform process, the Madrid European Council received with keen interest the report from the reflection group set up in preparation for that conference and, having asked the Council to consult the European Parliament and the Commission pursuant to Article N of the Treaty, agreed that the conference should begin its work under the Italian Presidency at a formal inaugural meeting on 29 March 1996 in Turin.

## I. INTERNAL POLICIES

### **A. General economic situation and progress towards economic and monetary union**

The year 1995 was the second consecutive year to show an upturn in economic activity after the recession in 1992 and 1993, despite a slight slowdown in growth over the year. The increase in the Community's GDP in 1995 was estimated at some 2.75 %, practically the same level as the previous year. The employment situation is mending slowly: following a record unemployment level of 11.4 % in the spring of 1994, the figure of 10.5 % was achieved in the autumn of 1995.

The increasing convergence towards stability of prices recorded in 1994 was confirmed in 1995. The inflation rate in the Community is approaching 3 %. With regard to the development of long-term interest rates, the fall observed since 1990, which had halted in 1994, continued last year. The economic upturn and the budgetary measures taken in the Member States have enabled the reduction of public deficits initiated in 1994 to be continued. Nonetheless, the rate of adjustment is still inadequate for the purposes of the budget convergence criteria. The ratio between public debt and GDP continued to increase and has reached almost 71 % in 1995.

As part of the preparation for the third stage of monetary union, the Madrid European Council took important decisions on the features of the transition to a single currency. It adopted the scenario for the introduction of the single currency, confirmed equivocally that the third stage of EMU would begin on 1 January 1999 and decided that the European currency would be called the 'euro'. It also confirmed that a high level of economic convergence was a

prerequisite for attaining the goal, laid down in the Treaty, of the creation of a stable uniform currency.

Under the scenario adopted, the Council, meeting at Heads of State or Government level, will confirm as soon as possible in 1998, on the basis of the most recent and reliable data for 1997, which Member States fulfil the necessary conditions for changeover to the single currency.

The scenario also provides for:

- completion, by the end of 1996 at the latest, of the technical and preparatory work for a Council regulation establishing the legal framework for the use of the euro;
- monetary policy to be defined and conducted in euro as from 1 January 1999;
- issue of the new tradeable public debt by Member States participating in the euro area as of the same date;
- encouragement to be given to use of the euro in the foreign exchange markets;
- circulation of euro banknotes and coins by 1 January 2002 at the latest.

The Madrid European Council also established the need to ensure that, after moving to Stage 3, public finances are kept on a sound track in line with Treaty obligations. It noted with interest the Commission's intention of presenting in 1996 its conclusions on appropriate mechanisms in accordance with the procedures and principles of the Treaty.

The Madrid European Council also asked the Ecofin Council to study, in cooperation with the Commission and the European Monetary

Institute, the range of issues raised by the fact that some countries may not initially participate in the euro area.

With the objective of monitoring economic developments in the Community and formulating policies with the twin aims of job-creating growth and the achievement of economic and monetary union, the Council continued to apply the economic policy instruments provided for in the Treaty, paying particular attention to the following areas.

1. The broad guidelines of the economic policies of the Member States and the Community were the subject of a recommendation adopted by the Council on 10 July 1995. These guidelines confirmed the objectives of the policies defined by the European Council, particularly where combating unemployment was concerned. The aim must be to transform the upturn under way into strong, lasting and non-inflationary medium-term growth which respects the environment. The principal guidelines established in 1995 relate to the stability of prices and exchange rates, putting public finances in order, increasing the profitability of job-creating investment by means of a moderate wage policy and structural reforms designed to stimulate competitiveness and improve the operation of the labour market.
2. The year 1995 was the second year in which the procedure for excessive government deficits provided for in Article 104c of the Treaty was applied. On 10 July 1995, acting on a recommendation from the Commission, the Council established, by means of a Council decision, that excessive government deficits existed in the three new Member States: Austria, Finland and Sweden. On 24 July 1995 the Council adopted recommendations, on a Commission proposal, that a situation of excessive government deficit be brought to an end in 12 Member States: Belgium, Denmark, Greece, Spain,

France, Italy, the Netherlands, Austria, Portugal, Finland, Sweden and the United Kingdom.

3. Within the framework of multilateral surveillance, the Council examined the economic convergence programmes submitted by the Member States. In 1995 the convergence programmes of Sweden and Finland were examined for the period 1995–98. This convergence constitutes one of the most important elements in the process of achieving economic and monetary union.

During the year, the Council took two particularly important decisions regarding statistics. These decisions form part of the process of achieving economic and monetary union inasmuch as they make possible a better assessment of the convergence criteria laid down in Article 109j of the Treaty.

Accordingly, a decision was taken to harmonise consumer price indices thus allowing a better comparison to be made of the national data on price movements. In addition, as from April 1999, a European system of national and regional accounts is to be introduced to replace the system applied at the moment. This new system will produce a considerable improvement in the quality of the statistical information provided by the Member States.

## **B. Employment**

During 1995, the European Council confirmed that combating unemployment and promoting equal opportunities were the priority tasks before the Community and its Member States.

The medium-term strategy, designed by the Essen European Council and confirmed at Cannes, provides the framework for development of the measures decided upon. The employment monitoring procedure laid down at Essen, and centring on a strategy of cooperation between all operators involved in this common effort, was put into effect; further progress was

made not only in identifying obstacles to reducing unemployment but also particularly as regards macroeconomic and structural factors substantially influencing the creation of new jobs.

During the course of 1995, the Member States transposed the recommendations of the Essen European Council into multiannual employment programmes incorporating innovatory measures.

On the basis of joint action by ministers for the economy, finance and labour and social affairs, the Council and the Commission submitted a joint report whose recommendations were submitted to the Madrid European Council; the report issued an appeal to the Member States to regard the areas of action identified in the Madrid conclusions as priorities under their multiannual employment programmes. Implementation of these measures should give priority to groups needing particular attention such as young people looking for a first job, the long-term unemployed and unemployed women.

The extent to which the multiannual employment programmes established by the Member States and the recommendations adopted in Madrid have been put into effect is to be examined at the European Council in December 1996.

The important role played by internal policies, in particular the internal market, environment policy, SMEs and trans-European networks, in creating jobs was stressed by several European Councils. To that end, in September 1995 the Council adopted a regulation establishing the general rules for the grant of Community financial assistance in the area of trans-European networks.

In 1995 the Council also discussed the situation as regards the financing of trans-European network priority programmes identified by the Essen European Council in December 1994.

## **C. Operation of the institutions and institutional questions**

### **(i) Enlargement of the Union**

The procedures for the ratification of the Accession Treaties having been completed at the end of 1994, Austria, Finland and Sweden became Member States of the European Union on 1 January 1995.

In a decision adopted on 1 January, the Council adapted the Act of Accession to take account of the changes resulting from the Norwegian people's rejection of the entry of Norway into the Union. It also adopted a decision determining the order in which the six-month office of President of the Council is to be held pursuant to the second paragraph of Article 146 of the EC Treaty <sup>(1)</sup>.

On the same day the representatives of the governments of the Member States jointly agreed to appoint the new members from the acceding Member States to the Commission, to the Court of Justice and to the Court of First Instance. The Council shortly did the same for the new members of other institutions and bodies.

The three new Member States also nominated their representatives to the European Parliament (21 for Austria, 16 for Finland and 22 for Sweden); for a transitional period, it was the national parliaments which made these nominations; Sweden was the first of the new Member States to elect its representatives by direct universal suffrage on 17 September 1995.

### **(ii) Implementation of the provisions of the Treaty on European Union**

The year 1995 was marked by the consolidation of the institutional reforms enshrined in the Treaty on European Union. A number of these

<sup>(1)</sup> 1995: France and Spain; 1996: Italy and Ireland; 1997: Netherlands and Luxembourg; 1998: United Kingdom and Austria; 1999: Germany and Finland; 2000: Portugal and France; 2001: Sweden and Belgium; 2002: Spain and Denmark; first half of 2003: Greece.

provisions were implemented for the first time, while others have already been regularly and effectively applied once the necessary adjustments were made the previous year.

### *Renewal of the Commission*

Article 158 of the EC Treaty, as amended by the Treaty on European Union, introduces a new procedure for the appointment of members of the Commission.

The European Parliament organised hearings before its specialised committees of the members proposed by the Member State governments, in the light of the future areas of activity of the aspiring Commissioners. These hearings allowed it to form an opinion ahead of its vote to approve the new Commission led by Mr Santer, which favourable vote was given by a considerable majority on 18 January 1995.

The representatives of the governments of the Member States then appointed the President and the other 19 members of the new Commission (15 men and 5 women) on 23 January for a period of five years from that date.

### *Appointment of the Ombudsman*

On 12 July 1995 the European Parliament appointed the first Ombudsman in accordance with Article 138e of the EC Treaty.

The European Parliament's Committee on Petitions held hearings of the candidates on 28 and 29 June; Mr Jacob Söderman was chosen from five candidates, a sixth having withdrawn before the vote.

The decision taken by the European Parliament on 9 March 1994, following the Commission's opinion and with the approval of the Council, given on 7 February of the same year, sets out the regulations and general conditions governing the performance of the Ombudsman's duties.

### *Subsidiarity*

For the implementation of the principle of subsidiarity set out in the Treaty, the guidelines established at the Birmingham and Edinburgh European Councils continue to inform the action of the Union.

The Commission submitted the second annual report on the implementation of the principles of subsidiarity and proportionality and on simplification and consolidation entitled 'Better law-making' and was asked by the European Council in Madrid to report to the European Council in Florence on the application of these principles to existing Community legislation and to the proposals submitted.

The Madrid European Council was also able to establish that the 1993 programme on adaptation of existing legislation to the principle of subsidiarity was practically completed.

### *Transparency*

The Council reaffirmed its desire to work towards greater transparency in its proceedings in the context of the guidelines laid down by the European Council, while maintaining the efficiency of the decision-making process. It noted that the outcome of votes on legislative acts was now systematically made public. The Council had never made use of the possibility of derogation provided for in its rules of procedure and had no intention of doing so in the future.

Progress was made towards achieving greater transparency of the Council's proceedings by the approval of a code of conduct which facilitates access by the public to Council minutes and statements when the Council is acting as legislator. The number of Council debates which have been televised has also increased.

With more particular reference to the question of cooperation in the field of justice and home affairs, the Council adopted a decision-making provision for the publication of acts adopted on

asylum and immigration matters since entry into force of the Treaty on European Union. At the same time, it recorded agreement on a statement providing that the acts adopted in future in this area will, in principle, be published.

### *Citizenship*

A decision was adopted pursuant to Article 8c of the EC Treaty on the protection of citizens of the Union by diplomatic and consular representations. Under the measures decided on, any citizen of the Union whose own State is not represented in a third country may benefit from the consular protection of any other Member State.

Still on the subject of European citizenship, the representatives of the governments of the Member States of the Union, meeting within the Council, reached agreement on a decision on the conditions for the issue by the diplomatic or consular mission of any Union Member State and security measures concerning provisional travel documents in the territory of a third country so as to facilitate the return of an unrepresented Union citizen who has lost his identity documents in a third country.

### *Legislative process*

Within the framework of legislative activity, in 1995 the Council held, under the various procedures laid down in the Treaty, 204 consultations of the European Parliament, 18 of which took place under the urgent procedure, 92 consultations of the Economic and Social Committee and 9 consultations of the Committee of the Regions.

Where the legislative procedures under Articles 189b and 189c of the EC Treaty were concerned, the Council adopted a total of 35 common positions in 1995.

With more particular reference to the 'co-decision' procedure, it should be noted that, for the first time since the procedure was introduced, the European Parliament rejected a common draft approved by its delegation and the Council

delegation within the conciliation committee, with the result that the proposal for a directive in question, which concerned the legal protection of biotechnical inventions (see point F. 'Internal market'), could not be adopted.

### **(iii) Interinstitutional relations**

At its meetings in Cannes and Madrid, the European Council heard the President of the European Parliament convey Parliament's view on the questions discussed by the Heads of State or Government.

Pursuant to the Treaty, at plenary sessions of the European Parliament the Presidencies-in-Office of the European Council outlined the results of the meetings of the European Councils in Cannes and Madrid. In the same way, in accordance with well-established tradition, the French and Spanish Presidencies presented their programmes and took stock of their Presidencies before the European Parliament.

On 15 November, the first debate on the state of the Union took place within the European Parliament, introduced by statements from the President of the European Parliament, Mr Hänsch, the President of the European Council, Mr González Márquez, and the President of the Commission, Mr Santer.

Throughout the year, the Council, represented by its President, kept in close touch with the European Parliament and its various bodies. The Council appeared on over 80 occasions before parliamentary committees and delegations; the Presidency of the Council replied at plenary sittings to 302 questions put at Question Time and to 40 oral questions requiring debate and a resolution. The Council also replied to 430 written questions put by members of the European Parliament.

Other major debates provided for in the Treaty were held with Council participation, on the one hand, on the progress made with implementing the common foreign and security policy and, on the other, on justice and home affairs.



Regular meetings also took place between the Presidents of the European Parliament, the Council and the Commission, at plenary part-sessions, meetings which were twice expanded to involve the chairpersons of Parliament's political groups. These meetings provided the forum for an exchange of views on questions of common interest to the three institutions and helped to resolve certain disputes.

In accordance with their reciprocal commitments, the European Parliament and the Commission agreed on a joint declaration on the legislative programme which the Commission had submitted to the Parliament. The Council adopted a declaration on the same legislative programme submitted by the Commission, and stressed which provisions of that programme it considered should take priority.

The European Parliament and the Commission also concluded a new code of conduct designed to establish the framework for their future relations, with a view to adjusting the code concluded in 1990 to the new institutional context. In a statement, the Council emphasised that the undertakings entered into by the other two institutions were not applicable to it and that it might well take steps to safeguard its rights should these be affected.

In 1995 the Presidencies-in-Office of the Council also continued their meetings with the Economic and Social Committee and the Committee of the Regions. The French and Spanish Presidencies appeared before these consultative bodies and outlined their programmes of work; they discussed questions of general interest. During 1995, the representatives of the governments of the Member States effected a partial renewal of the Court of First Instance. Similarly, the Council partially renewed the Court of Auditors.

#### **(iv) Relations with the Council of Europe**

Two quadripartite meetings were held in 1995 between the President of the Council and the President of the Commission for the European

Union, and the Chairman of the Committee of Ministers and the Secretary-General for the Council of Europe. The aim of these meetings, which it had not been possible to hold in 1994, is to improve cooperation and the coordination of the activities of the two organisations.

#### **D. Preparation for the 1996 Intergovernmental Conference — Report from the reflection group**

The Heads of State or Government met in Paris on 9 June at the invitation of the President of the French Republic to make contact and prepare for the Cannes European Council. The European Council continued preparing for the 1996 Intergovernmental Conference (IGC) at its meeting in Cannes on 26 and 27 June 1995, under the Presidency of Mr Chirac, and at its meeting in Madrid on 15 and 16 December 1995, under the Presidency of Mr González Márquez, and at the informal meeting of Heads of State or Government held on 22 and 23 September 1995 in Formentor (Majorca), also under the Spanish Presidency. The last meeting was specifically devoted to initiating consideration at the highest level of the implications and the main challenges of the forthcoming IGC, to be convened in 1996.

On 2 and 3 June in Messina, at the invitation of the Italian Government, the 40th anniversary of the conference which led to the signing of the Treaties of Rome establishing the European Economic Community and the European Atomic Energy Community was commemorated. On that occasion, the European Parliament, the Council and the Commission adopted a solemn declaration of the European Union saluting the progress made over the last 40 years and calling for work to continue with the same determination, particularly with an eye to the forthcoming Intergovernmental Conference.

At the same time, on 2 June in Messina the reflection group set up by the Corfu European Council with a view to that conference officially began work, under the chairmanship of the Spanish State Secretary for European Affairs, Mr Westendorp y Cabeza.

Over some 15 meetings between June and December, in accordance with the brief given by the Corfu European Council, confirmed and fleshed out at the Essen and Cannes European Councils, and on the basis of the reports that the institutions had been required to submit on the operation of the Treaty, the group endeavoured to pinpoint the major challenges facing the Union, in particular given the prospect of further enlargements and of the need to improve both the efficiency of its operation and its capacity for external action and to involve all its citizens in the Union by means of more democracy and transparency. The group presented an introduction to the strategic challenges and an annotated agenda on the Intergovernmental Conference.

The Madrid European Council received the group's report with great interest and thought that the guidelines agreed on by the group, after detailed analysis of the internal and external challenges facing the Union and the possible responses, represented a sound basis for the discussions of the Intergovernmental Conference; it requested swift application of the provisions of Article N of the Treaty.

It also agreed that the conference should begin work under the Italian Presidency with a formal inaugural meeting on 29 March 1996 in Turin. The European Council agreed on the general arrangements for the organisation of the conference and on the detailed rules for informing the applicant States and allowing them to express their views; the European Economic Area and Switzerland would also be kept informed. The European Council asked the ministers for foreign affairs to define the procedures for involving the European Parliament in the Intergovernmental Conference and stressed that Parliament was to be closely associated with the work of the conference.

## **E. Financing of the Union**

In 1995 the financing of the Union's activities was based on the principles contained in the

1988 decision on own resources, since the new 1994 decision on own resources was still being ratified in the Member States, which confirmed the need to take account of the austerity the economic situation continued to require and made provision for continuation of the efforts to be accomplished, in particular in achieving common policies. The European Council noted with satisfaction the Commission's initiative on sound financial management.

In a spirit of interinstitutional cooperation, the two arms of the budget authority and the Commission were able to reach a number of important conclusions on the rationalisation of administrative expenditure, the consequences of which are already discernible in the 1996 budget. In the main, this rationalisation — the aim of which is to realise significant budgetary savings — means that the institutions are to act together in areas such as the organisation of recruitment competitions, staff training, the administration of social infrastructures and informatics.

As regards the combating of fraud and the protection of the Community's financial interests, the Council, acting on the conclusions of the Essen European Council, adopted a number of conclusions establishing guidelines for the continuation of work on this issue. For its part, the Commission prepared an analysis summarising the reports of the Member States on the measures they were implementing at national level to combat fraud against the Community budget. The first conclusions of this analysis were submitted to the European Council at its meeting in Madrid.

The Council also adopted a regulation on the protection of the financial interests of the Communities, which establishes for the first time a common framework for combating wastage and misappropriation of Community funds in all areas covered by Community policies by defining general rules applicable to Community administrative penalties and to the checks to be made by the Member States and the Commission.

On 6 March 1995, following several months of negotiations, the European Parliament, the Council and the Commission adopted a joint declaration on the inclusion of financial provisions in legislative acts. This declaration provides that the overall financial provision laid down by the legislator for the entire duration of a multiannual programme and included in the basic act is binding on the budget authority with respect to legislative acts adopted under the co-decision procedure by the European Parliament and the Council. As regards acts not subject to co-decision, this allocation constitutes a guide to the legislator's wishes but does not affect the powers of the budget authority; however, if the amount concerned is the subject of an agreement between the European Parliament and the Council in the framework of the conciliation procedure provided for in the joint declaration of 4 March 1975, it then acquires binding force as in the first case.

In addition, having examined the three special reports from the Court of Auditors in the context of the discharge, the Council asked the Commission to include in its follow-up report the action taken further to its conclusions on the above reports.

In a judgment dated 7 December 1995, the Court of Justice ruled on the application for annulment brought by the Council against the European Parliament aimed at having the general budget of the European Communities for the financial year 1995 declared void. While upholding the effects of that budget until the date on which Parliament and the Council definitively adopted the Community budget for the financial year 1995, the Court annulled the act by which the President of the European Parliament established the definitive adoption of the 1995 Community budget. The Council agreed in principle to the proposal put forward by the Commission to remedy the situation created by the Court's judgment.

Finally, the Council reached a solution on the actions eligible for funding under the Community budget on the basis of, respectively, Article J.11

of the Treaty on European Union in the sphere of common foreign and security policy and Article K.8 of the same Treaty on cooperation in the field of justice and home affairs.

### *Budget procedure for 1996*

On 21 December 1995, the President of the European Parliament finally signed the act adopting the general budget of the European Communities for 1996, which provides for a total of ECU 86 525 459 991.0 in commitment appropriations (c/a) and ECU 81 888 440 991.0 in payment appropriations (p/a), and amounts to an increase in total expenditure over the previous financial year of 8.37 % in c/a and 8.55 % in p/a.

## **F. Internal market**

As in previous years, action has been directed towards completing the internal market. The European Council stressed the importance of completion by introducing increased competition in a great number of sectors to step up competitiveness with a view to generating employment and confirmed the need to make this objective compatible with the exercise of general economic interest duties by the public services.

The Council took stock of the process of transposing Community law on the internal market into national law. Other general topics were discussed by the Council, particularly those concerned with administrative cooperation and legislative and administrative simplification, notably as regards the rules applicable to companies.

On the matter of the uniform and efficient application of Community law and the penalties applicable in the event of infringements of that law in the sphere of the internal market, the Council adopted a resolution on the subject in which it urged the Commission to be particularly attentive to this aspect in exercising its role as guardian of the Treaty and its right of

initiative, and asked the Member States to cooperate in promoting the objective sought of effective and uniform application.

For its part, the Commission presented a new initiative entitled 'Citizens first' to be launched in 1996 to heighten the public's awareness of the benefits of the internal market.

Finally, the Council initiated a dialogue with the ministers of the CCEE on those countries' state of readiness for integration into the internal market. The discussions focused on the White Paper drawn up by the Commission on the subject, which it was agreed would constitute a major feature of the pre-accession strategies of the countries concerned and a useful guide for their programmes.

#### **(i) Removal of trade barriers**

The Council adopted a decision establishing reciprocal information procedures in the event of national measures hampering the free movement of goods within the Community.

The motor-vehicle sector was the subject of attention from the Council throughout the year. It adopted a directive to regulate the power of motorcycles, the 12th in a series covering this sector, and a common position on another directive concerned with all the other characteristics of two- or three-wheel motor vehicles, the adoption of which will complete the Community framework for type-approval of these vehicles.

As regards the safety of occupants, the Council adopted a directive setting the requirements as regards flammability of the materials used in the internal fitting-out of buses and coaches, and a common position on the first of the proposals for directives on side and frontal-impact resistance. On levels of pollution, the Council adopted a directive making provision for further reductions in particulate emissions from diesel engines and a common position on proposals to reduce exhaust emissions from light

goods vehicles to align them on those of private cars.

The Council adopted new harmonisation provisions in another important area, that of lifts, with the twin aims of removing obstacles to free movement of lifts and their components in the Community while ensuring a high level of safety for users, and widening the scope to all types of lifts.

#### **(ii) Customs union**

The Council adopted a common position on the Commission proposal for a Community action programme in the customs sphere, entitled 'Customs 2000', to run for a five-year period from 1996 to 2000, with the aim of developing and modernising customs administrations to increase the efficiency of checks at the Community's external borders and administer optimally the internal market.

The Council also adopted five decisions on the conclusion of agreements between the Community and Bolivia, Colombia, Ecuador, Peru and Venezuela on the control of trade in chemical precursors frequently used in the illicit manufacture of drugs and psychotropic substances. The agreements were signed on the same day by the Community and the countries in question.

#### **(iii) Company law**

In 1995 the lengthy negotiations for the creation of a Community framework for the mutual recognition and enforcement of decisions on insolvency proceedings in the European Union finally bore fruit. A convention based on Article 220 of the Treaty was initialled by the 15 Member States and subsequently opened for signature in November for a six-month period. It was signed by 12 Member States on the occasion of the Council meeting on 23 November. It remains open for signature by the Governments of the United Kingdom, Ireland and the Netherlands until 23 May 1996.

**(iv) Tax harmonisation**

In this sector, 1995 initially saw a review of the Community rules adopted in 1992 on VAT and excise duty rates. Where VAT rates were concerned, the Commission submitted a proposal for a directive to the Council amending the 1992 directive on the application of VAT on agricultural products.

In the VAT sector, the Council adopted, on the basis of the sixth VAT directive, a number of decisions aimed in substance at authorising Member States which so wished to adopt simplification measures in derogation from the normal VAT arrangements.

In the excise duty sector, the Council adopted two directives, one aimed at achieving legislative consolidation of the rules on the taxation of manufactured tobaccos, the other establishing Community rules for the colouring and marking of mineral oils subject to a reduced rate. The Council also adopted, in the framework of the harmonisation of the structures of excise duties on mineral oils, a decision authorising certain Member States to introduce or retain reductions on or exemptions from excise duties for particular policy reasons.

In response to the undertaking given at the European Council meeting in Essen, the Commission submitted to the Council an amended proposal for a directive on the introduction of a tax on CO<sub>2</sub> emissions and on energy.

Finally, the representatives of the governments of the Member States signed a convention allowing Austria, Finland and Sweden to accede to the Convention on the Elimination of Double Taxation in connection with the adjustment of profits of associated enterprises.

**(v) Financial area**

The Council and the European Parliament adopted a directive aimed at reinforcing the prudential supervision of credit institutions, insurance

companies, investment firms and undertakings for collective investment in transferable securities (UCITS).

In the banking sector, the Council also adopted two common positions, the first on the conditions regarding the solvency ratios of credit institutions as regards recognition by the competent authorities of contracts for novation and netting agreements (contractual netting), and the second concerned with a directive on cross-border credit transfers.

In the investment services sector, the Council adopted a common position on the establishment of investor compensation schemes.

The Commission submitted a proposal to the Council for a directive of the European Parliament and of the Council on investment services in the securities field aimed in particular at the creation of a securities markets committee, and another proposal amending the first banking directive with respect to the permanent exclusion of certain credit institutions.

The Commission also referred to the Council and the European Parliament a proposal for a directive on the supplementary supervision of insurance undertakings in an insurance group.

**(vi) Food and plant-health sector**

Action in this sector continued in 1995 to supplement or update measures already taken to safeguard both public health and the proper operation of the internal market.

On food additives, the Council adopted a directive on food additives other than colours and sweeteners by authorising a list of various additives which could be used and the conditions for their use.

The Council also adopted four common positions on, respectively, the amendment of the directive on the labelling, presentation and

advertising of foodstuffs, a first regulation on novel foods and novel food ingredients, a directive amending the conditions for the use and placing on the market of natural mineral waters, and a regulation establishing a Community procedure for flavouring substances used in foodstuffs.

#### **(vii) Intellectual property**

The Council adopted its common positions on the proposal for a directive concerning the legal protection of databases and on the proposal for a regulation concerning the creation of a supplementary protection certificate for plant-protection products.

In the case of the proposal for a directive concerning the legal protection of biotechnological inventions, the European Parliament rejected the joint text approved by the conciliation committee and hence that proposal could not be adopted. It should be noted that this was the first time since the introduction of the co-decision procedure between the European Parliament and the Council that the European Parliament had rejected a joint text approved by its delegation and the Council's delegation in the conciliation committee.

#### **(viii) Data protection**

The Council adopted the directive on the protection of individuals with regard to processing of personal data and on the free movement of such data.

#### **(ix) Telecommunications**

Further to the Corfu and Cannes European Council conclusions, the Council agreed to a resolution on the industrial aspects of the information society for the European Union. It also adopted a resolution on the introduction of the future regulatory framework to accompany liberalisation, calling on the Commission to propose all of the legislation required for the full liberalisation of telecommunications by 1 January 1998.

The formal adoption by the Council of the directive harmonising conditions for the application of open network provision (ONP) to voice telephony filled in one of the main missing elements in the Community regulatory framework for telecommunications. The proposal for a directive on telecommunications interconnection is the first of a set of proposals to revise legislation in order to adapt the Community legislative framework to the new competitive environment after 1998.

By way of other liberalisation measures, the Council adopted a resolution on mobile and personal communications and the Commission made use of its powers under Article 90 of the Treaty to amend its Directive 90/388/EEC with regard to the abolition of restrictions on the use of cable television networks to provide the telecommunications services already liberalised, mobile and personal communications, and the full opening-up to competition of the telecommunications market.

The decision on a set of guidelines for the development of the European ISDN (integrated services digital network) as a trans-European network was formally adopted in November 1995 following acceptance by the Council of the European Parliament's amendments. In the second half of 1995, work progressed rapidly on guidelines for the objectives, priorities and broad thrust of measures in the field of trans-European telecommunications networks, and the Council reached preliminary political agreement with a view to a common position on the proposed decision.

The directive on the use of standards for transmitting television signals was formally adopted by the Council and the European Parliament to replace an earlier directive on standards for satellite broadcasting of television signals.

The Council formally adopted the decision establishing a three-year programme for the Community contribution to the interchange of data between administrations (IDA), intended

to facilitate the interchange of data using information technology between national administrations and between Community institutions, with total funding of ECU 60 million for 1995 and 1996. It also reached political agreement on the decision concerning a multiannual Community programme to stimulate the development of a European multimedia content industry and encourage the use of such multimedia content in the new information society (INFO 2000), with a total budget of ECU 65 million for the four-year programme.

**(x) Postal services**

The Council held an initial discussion on the proposal for a directive on common rules for the development of postal services in the Community and the improvement of quality of service. That proposal for a directive was accompanied by a draft communication explaining how the Commission would apply the competition rules under the Treaty to the postal sector. The Council adopted conclusions calling in particular for alignment of the definitions and terms used in both texts and for the communication to be published at the same time as the directive and in any event by the end of 1996.

**G. Agriculture and fisheries**

The year 1995 is the third and final year of transition in applying the reform of the common agricultural policy (CAP) decided upon in 1992. During the year, the Community continued to implement the components of that policy, with the consistent aim of introducing improvements in the light of practical experience as well as greater flexibility. The aim is, by improving competitiveness, to enable farmers in a Union enlarged to 15 members to enjoy a fair standard of living and to continue their activities. However, the purpose is also, at the same time, gradually to adjust the sectors not yet reformed. Such work was also carried out against the background of implementation of the GATT agreements, giving rise to the framing of new rules for the World Trade Organisation.

With regard to common market organisations, the Council enacted the common organisation of the market in dried fodder, for which it set the guaranteed national quantities, then adjusted the common organisation of the market in sugar, chiefly for the effects of the GATT agreement and of enlargement, and decided on the reform of the common organisation of the market in rice with the adoption of two regulations, one establishing the framework for the reform and the other laying down the standard quality of paddy rice for intervention. The Council considered in depth the proposal to reform the common organisation of the wine market but, as 1995 was a lower production year, it agreed to continue its discussions later. It also embarked upon reform of the fruit and vegetable sector, identifying the many issues to be addressed.

In agricultural structures, the Council adopted directives on the lists of less favoured farming areas in Austria, Finland and Sweden. In addition, the rate of compulsory set-aside was determined in September, at the very start of the marketing year, bringing a reduction in that rate in view of the state of stocks and the prospect of shortages on the world cereals market.

The annual discussions on the 1995/96 price review, simplified by implementation of the reform and combined with other measures, resulted in a package of measures adopted by the Council by a qualified majority at its meeting in June. At that meeting, the Council decided on the allocation of final milk quotas for Greece and Italy and adopted two regulations amending arrangements for cotton. At the same time, it substantially amended the agri-monetary arrangements with the adoption of rules for some Member States designed to offset lost earnings as a result of a significant reduction in a rate applicable to certain amounts set under the CAP. Under the June agreement, then, the Council and the Commission accepted the possibility of granting national aid to offset farming

income losses as a result of currency fluctuations in other Member States.

The Council also amended the basic regulation on the financing of the CAP to bring greater transparency and swifter settlement of accounts as well as better cooperation between the Commission and Member States.

In veterinary harmonisation, the Council adopted a number of amendments to existing rules and was faced with the problem of the use of hormones and beta-agonists in meat production. It also looked into the question of calf rearing.

On the protection of animals in transit, the Council adopted by a qualified majority a directive based on a more precise definition of transport conditions and the setting of travel and rest periods.

Lastly, under the structured dialogue established by the European Council, the first joint meeting with the ministers for agriculture of the CCEE was held in September.

### *Fisheries*

In 1995, an important part of action under the common fisheries policy was devoted to international aspects, mainly with regard to activities within the framework of certain international organisations. At internal level, the common fisheries policy underwent major changes, in particular with regard to extension of its scope and implementation of new instruments.

In order to improve full management of the activities of the Community fleet, both within Community waters and in the waters of third countries and international waters, external action under the common fisheries policy continued within the framework of international organisations and relations based on agreement. The Community therefore played a decisive role in the United Nations Conference on Straddling

Fish Stocks and Highly Migratory Species, in which an agreement was adopted for the implementation of the provisions of the United Nations Convention on the Law of the Sea of 1982 relating to the conservation and management of straddling fish stocks and highly migratory species. Within the framework of the North-West Atlantic Fisheries Organisation (NAFO), the Community also contributed to resolving the conflict on the allocation of the Greenland halibut total allowable catch (TAC) for 1995 in the NAFO area by rendering multilateral the agreement between the Community and Canada, and adopted certain internal legislative acts pursuant to the measures adopted by NAFO, in particular with regard to joint international inspection, monitoring and conservation and management of fisheries resources. Finally, the Community participated in the proceedings of several international fisheries organisations.

With regard to relations based on agreements with third countries, the new fisheries agreement with Morocco, which entered into force on 1 December 1995 for a period of four years, may be considered one of the most important agreements concluded between the Community and a third country, in particular as regards the volume of fishing possibilities.

The Community also continued cooperation with other partners which are important for the Community fisheries sector, such as Norway, the Baltic States, Argentina and the west African and Indian Ocean States.

At internal level, the instructions given by the Essen European Council to ensure complete integration of Spain and Portugal into the common fisheries policy were carried out to the full. Following the enlargement of the Union, the Finnish and Swedish fisheries sectors were also integrated into the common policy.

With regard to management of resources, the fisheries policy gained a new instrument with the establishment of a system for the manage-



ment of fishing effort, which aims at controlling the fleet's capacity and catches, with the aim of geographical distribution of fishing so as to maintain the existing balance between the various areas. Pursuant to those principles, the Council adopted a first regulation establishing the rules for access to certain Community fishing areas and resources and another establishing a system for the management of fishing effort which fixes the maximum annual level of fishing effort for each Member State and each fishery. Those rules were supplemented by a Council regulation to ensure that the new system for the management of fishing effort is complied with fairly and without discrimination.

At the same time, other measures were adopted concerning the continued application of measures to conserve resources, restructure the Community fleet and finance programmes submitted by the Member States for acquiring and improving monitoring and supervision facilities.

The Council has adopted socioeconomic measures for crew members who will be affected by the adaptation of fishing capacity to available resources. Member States in particular are allowed to use FIGF funds to co-finance national early retirement schemes for fishermen who are over 55 years of age and have worked for more than 10 years; flat-rate direct aid may also be given to fishermen in crisis situations.

With regard to TACs and quotas, the Council fixed the annual levels, as usual, for 1996.

## **H. Transport**

Following the impetus given by the European Council, the Council adopted a common position with a view to adoption of a European Parliament and Council decision on Community guidelines for the development of the trans-European transport network.

### *Inland transport*

With regard to road transport, the Council adopted a common position aimed firstly at further amending the directive on the weights, dimensions and certain other technical characteristics of certain road vehicles and secondly at recasting it, bringing together in a single text all the provisions concerning proof of the conformity of vehicles.

With regard to rail transport, the Council adopted two directives: one introduces a licence for railway undertakings and the other concerns the allocation of railway infrastructure capacity and the charging of infrastructure fees within the Community. It also adopted a common position with a view to adoption of a directive on the interoperability of the trans-European high-speed railway system and adopted a resolution on the development of rail transport and combined transport.

With regard to inland waterway transport, the Council adopted a regulation on structural improvements in inland waterway transport which introduced the possibility of Community financial contributions to scrapping schemes for 1995.

With regard to transport safety, the Council adopted a directive on uniform procedures for checks on the transport of dangerous goods by road and adopted a common position with a view to requiring undertakings whose activities include the transport of dangerous goods by road, rail or inland waterway or loading or unloading operations connected with such transport to appoint safety advisers responsible for helping to prevent risks. The Council also adopted a common position with a view in particular to transposing into Community law the regulations concerning the international carriage of dangerous goods by rail (RID).

Finally, with a view to contributing to improvement of road traffic safety and facilitating the movement of persons who take up residence in

a Member State other than that in which they passed a driving test, the Council set out the main lines of an agreement concerning an optional Community model for a 'credit-card'-type driving licence.

With regard to external relations, the Council adopted two decisions authorising the Commission to negotiate respectively an agreement with Switzerland in the field of road, rail, combined and air transport, a transport agreement with Croatia of the same type as that with Slovenia and an additional protocol to the transport agreement between the Community and Slovenia following the accession of Austria. Regarding the CCEE, the Council authorised the Commission to negotiate, firstly, an agreement on the occasional carriage of passengers and, secondly, a transit agreement with Hungary, Romania and Bulgaria on the transport of goods.

Finally, the Council held a first joint meeting within the framework of the structured dialogue with the transport ministers of the CCEE.

### *Air transport*

The Council adopted two resolutions concerning respectively relocation in air transport and congestion and crisis situations in air traffic. It also reached political agreement on adopting a directive to liberalise access to the ground-handling markets at Community airports.

With regard to relations with third countries, the Council authorised the Commission to initiate negotiations with Switzerland.

### *Maritime transport*

The Council adopted a regulation on the safety management of roll-on roll-off passenger vessels and a directive concerning the enforcement, in respect of shipping using Community ports and sailing in the waters under the jurisdiction of the Member States, of international standards for ship safety, pollution prevention and ship-

board living and working conditions (port State control), and reached agreement in principle on adoption of a directive on marine equipment with a view to improving its safety performance.

The Council agreed on a resolution on short sea shipping.

The Council also studied the first report on implementation of the regulation applying the principle of freedom to provide services to maritime transport within Member States.

## **I. Sectoral policies**

### **(i) Social policy**

The Council adopted a directive amending the minimum safety and health requirements for the use of work equipment by workers. The text lays down, in particular, the employer's obligation to ensure that work equipment is checked on installation and after each assembly and that ergonomic principles are fully taken into consideration when applying the minimum safety and health requirements.

The Member States coordinated their positions in preparation for the World Summit for Social Development (Copenhagen), the 82nd session of the International Labour Conference (Geneva) and the fourth World Conference on Women held in Beijing from 4 to 15 September 1995. In the context of the follow-up to the Beijing Conference, the Council examined in particular the integration of the principle of equality between men and women into all the policies and programmes of the European Union and the Member States (mainstreaming principle).

In the sphere of equal opportunities for men and women, the Council and the representatives of the governments of the Member States, meeting within the Council, adopted a resolution on the image of women and men portrayed in advertising and the media. For its part, the Council adopted a resolution concerning the balanced

participation of women and men in decision-making and, on 22 December, a decision on the fourth medium-term Community action programme on equal opportunities for women and men (1996–2000).

For the first time, in the context of the agreement annexed to the protocol on social policy to the Treaty, agreement was reached between the social partners on the draft directive on the possibility of reconciling professional and family life (parental leave), a proposal for a directive which has been under examination by the Council for several years.

In the sphere of social security for migrant workers, the Council adopted two regulations amending Community rules as a result of the changes in Member States' social security legislation or in order to improve the regulations concerned as a result of experience acquired in implementing them.

The Council and the representatives of the governments of the Member States, meeting within the Council, adopted a resolution on the fight against racism and xenophobia in the fields of employment and social affairs. The Council also adopted a resolution on the transposition and application of Community social legislation.

The dialogue with employers' and workers' representatives was continued within the European Social Conference (Paris, 30 March 1995) and the Standing Committee on Employment.

The Council and the representatives of the governments of the Member States adopted a resolution on the employment of elderly workers.

Finally, the Council held a policy debate on the social dimension of international trade.

## **(ii) Education**

The European Parliament and the Council adopted the Community action programme Socrates,

which is aimed at encouraging cooperation between Member States in the sphere of education by achieving nine specific objectives and which in substance takes over the earlier programmes in the educational sphere while extending its scope to teaching in schools with a budgetary allocation of ECU 850 million for the period 1995–99. The CCEE, Cyprus and Malta may participate in this programme.

The Council adopted two decisions concluding agreements for cooperation in higher education and vocational education and training between the Community and the United States of America and Canada respectively.

The European Parliament and the Council adopted a decision proclaiming 1996 'European Year of Lifelong Learning', providing for information, awareness-raising and promotional actions to be undertaken during the European year.

Finally, the Council adopted conclusions on the importance and implications of the quality of vocational training and a resolution on improving and diversifying language learning and teaching within education systems. It also adopted conclusions on social participation as a factor for quality in education prior to university education. The Council and the representatives of the governments of the Member States, meeting within the Council, adopted a resolution on the response of educational systems to the problems of racism and xenophobia.

## **(iii) Youth**

The European Parliament and the Council adopted the third phase of the 'Youth for Europe' programme, which covers a five-year period (1995–99) and provides for the expansion of activities, in particular with regard to youth exchanges between the Member States and the training of youth workers, with a financial appropriation of ECU 126 million for its implementation. The CCEE, Cyprus and Malta may participate in this programme.

The Council further adopted two resolutions on cooperation in the field of youth information and studies concerning youth and on cooperation with third countries in the youth field.

#### **(iv) Culture**

The Council adopted its common position on the programme to support artistic and cultural activities (Kaleidoscope).

The Council also adopted resolutions on culture and the multimedia, cultural cooperation with the CCEE and the promotion of statistics on culture and economic growth.

In the audiovisual sphere, the Council adopted two decisions on the second phase of the MEDIA programme (the first phase of which has been under way since 1991), one on a programme to promote the development and distribution of European audiovisual works (MEDIA II — Development and distribution), the other on a training programme for professionals in the European audiovisual programme industry (MEDIA II — Training). The MEDIA programme has a budget of ECU 310 million for a period of five years (ECU 265 million for development and distribution and ECU 45 million for training). The two programmes are open to the CCEE and, on the basis of additional appropriations, to Cyprus, Malta and EFTA Member States that are parties to the EEA Agreement, and to cooperation by other third countries having concluded cooperation agreements including audiovisual clauses.

In addition, at the end of the year the Commission submitted a proposal for a decision establishing a European Guarantee Fund to promote cinema and television production.

The Commission also proposed that the 'television without frontiers' directive be amended to increase and update the legal certainty of the enacting terms.

Finally, the Council adopted conclusions on linguistic diversity and pluralism in the European Union.

#### **(v) Public health**

In line with the 1994 resolution on the framework for Community action in the field of public health, action in 1995 focused on proposals concerning priority action areas to prevent certain major health scourges and diseases in general.

The Council therefore adopted its common position on proposals for decisions based on Article 129 of the EC Treaty concerning respectively an action plan to combat cancer, a programme of Community action on health promotion, information, education and training, a programme of Community action on the prevention of AIDS and certain other communicable diseases, and a programme of Community action on the prevention of drug dependence. Those programmes, to which funding has been allocated, are to take over from the existing programmes with a five-year perspective (1996–2000).

In parallel with its legislative activity, the Council adopted four resolutions on the aspects concerning improvement of the supply of medicinal products (resolutions on 'orphan' medicinal products and non-proprietary (generic) medicinal products), free movement within the Community (resolution on mutual recognition in Member States of the validity of medical prescriptions), protection of consumers of products affecting health (resolution on preparations of medicinal plants and resolutions on blood self-sufficiency and the safety of blood and blood products on which the Council adopted a resolution following the communication submitted by the Commission in December 1994).

Finally, the Council reaffirmed the need to incorporate health protection requirements into Community policies.

#### **(vi) Consumer protection**

In addition to adaptation, following enlargement of the Union, of the decision setting up a Community system of information on home and leisure accidents which was adopted on the specific legal basis of Article 129a of the EC Treaty,

measures to protect consumers were situated, in 1995 in particular, in the context of approximation of national laws with a view to improving the operation of the internal market.

The Council was able to adopt common positions on two proposals for directives on the protection of consumers in respect of contracts negotiated at a distance and comparative advertising respectively.

The Commission also submitted a proposal for a directive on indication of the prices of products offered to consumers.

With a view to future discussions, the Council asked the Commission, in three resolutions, to draw up a situation report on products presented as being beneficial to health and to assess what, if any, was the need for Community initiatives in the field of consumer education and information and consumer credit following the Commission report on the application of existing Community legislation in this field.

#### **(vii) Industry**

In 1995, discussions concerning European industry's competitiveness continued on the basis of a Commission action programme for implementing initiatives announced in the communication on an industrial competitiveness policy for the European Union. In this context, the Council adopted several conclusions and reached a preliminary agreed position on the proposal for a decision implementing a Community action programme to strengthen the competitiveness of European industry.

The Council also agreed to the text of a resolution on SMEs and technological innovation.

On the basis of a communication submitted by the Commission after the Essen European Council, the Council adopted conclusions emphasising the need for increased industrial cooperation between the European Union and the

CCEE to restructure and modernise their industry. It also agreed to conclusions concerning industrial cooperation with other regions and third countries, in particular with a view to developing industrial cooperation within the framework of Euro-Mediterranean policy, in accordance with the conclusions of the European Council meetings in Corfu, Essen and Cannes.

In April 1995, the Council decided to conclude the agreement between the European Communities and the Government of the United States of America concerning application of competition rules.

#### *Shipbuilding*

At its meeting in November 1995, the Council reached agreement in principle on a proposal for a regulation concerning aids to shipbuilding, which should enable the Community to meet its obligations under the international agreement concluded within the OECD framework concerning normal competitive conditions in the shipbuilding and repair industry.

#### *Community steel industry*

In the context of the process of monitoring aid to the steel industry, the Council examined the half-yearly reports from the Commission concerning rigorous monitoring of State aid which had been authorised in December 1993. In November 1995 the Council also authorised State aid for 1995–2000 for an Austrian steel undertaking with a view to its gradual closure.

#### **(viii) Regional policy and economic and social cohesion**

To deal with certain special difficulties faced by Portugal as a result of the 1993 GATT agreements, the Council decided to grant Community financial assistance for a reference amount of ECU 400 million at 1994 prices to Portugal for a specific programme for modernising the textile and garment industry for 1995–99.

In the context of Community support for promoting the economic and social development of its

most remote regions, the Council approved two regulations concerning respectively aid financed by the EAGGF Guarantee Section for producers of fishery products in the Azores, Madeira, the Canary Islands and the French Department of Guiana and extension or adjustment of certain specific agricultural measures decided on by the Council in 1991 for the benefit of the French overseas departments.

**(ix) Research and technological development**

After adoption in 1994 of the framework programmes and the various specific programmes for the period 1994–98, action in this field in 1995 focused on consolidating this policy and on certain specific measures.

The Council adopted a common position on adjustment of the EC and Euratom framework programmes as a result of enlargement of the Union, with a total increase of 6.5 % (ECU 800 million) divided across the board between the various programmes.

At the same time, the Council adopted conclusions on coordination of R & D policies and a further resolution on CREST (Scientific and Technical Research Committee) in order to adapt its terms of reference to the current requirements of Community R & D policy.

In the field of international cooperation, the Council agreed to Community participation in INTAS (International Association for the Promotion of Cooperation with Scientists from the new independent States of the former Soviet Union) being extended for the entire period covered by the fourth framework programme (1994–98). The Council also instructed the Commission to negotiate a multilateral agreement with several industrialised third countries in the field of intelligent manufacturing systems (IMS). Conclusions were also adopted on the progress of the ITER project (the international thermonuclear experimental reactor).

With regard to bilateral scientific and technical agreements, the Council agreed to the signing of such an agreement with Canada.

In the framework of the structured dialogue with the CCEE, the Union's research ministers held a meeting with their counterparts in those countries.

It should finally be pointed out that COST, in which 25 European countries now participate, has continued to provide a framework for R & D cooperation enabling national research efforts to be coordinated at pan-European level with 122 actions under way.

**(x) Environment**

To a greater extent than in 1994, international activities occupied an important place in environment policy action, bearing witness to the importance the Union attaches to cooperation with its partners, which is essential for achieving a solution to increasingly global environmental problems.

The Community thus played a decisive role at the third conference of the parties to the Basle Convention on the Control of Transboundary Movements of Hazardous Wastes and at the seventh conference of the parties to the Montreal Protocol on substances that deplete the ozone layer. In the context of the follow-up to the Rio Summit (1992), the Community position was decisive in ensuring that the first conference of the parties to the Convention on Climate Change decided to draw up a protocol or other legal instrument on limitation and reduction of greenhouse gas emissions and that the second conference of the parties to the Convention on Biological Diversity decided to draw up a protocol on biological safety.

The Council continued its action to protect the environment in the countries of central and eastern Europe (CCEE) and in the Mediterranean.

In the context of the CCEE, the Union contributed greatly to the third pan-European Conference of Environment Ministers. With regard to the Mediterranean, stress should be laid on the Community's participation in the ninth conference of the parties to the Barcelona Convention for the

Protection of the Mediterranean Sea against Pollution and, in the context of the approach defined by the European Council in Cannes, the results of the Euro-Mediterranean Conference, where the priority to be given to the environment was affirmed and given concrete form in the work programme adopted by that conference.

Finally, attention should be drawn to the conclusion of the Convention on the Protection and Use of Transboundary Watercourses and International Lakes which supplements the Community's internal water policy stance.

At Community level, action focused on monitoring activities involving risks for human health and the environment and on protecting specific environments (air and water) and flora and fauna.

The first set of actions includes the common positions on the proposal for a directive on integrated pollution prevention and control, the proposal for a directive on the control of major-accident hazards involving dangerous substances (Seveso II) and the proposal for a directive amending the directive on assessment of the environmental impact of certain public and private projects.

In the second set of actions, the proposal for a directive on ambient air quality assessment and management and the proposal for a decision establishing a reciprocal exchange of information and data from networks and individual stations measuring ambient air pollution within the Member States, on which the Council adopted its common position, will eventually provide the Community with a detailed legislative framework with regard to air pollution. That framework will be supplemented by a specific strategy to combat the problem of acidification on which the Community adopted specific conclusions. The Council, moreover, held detailed discussions on the approach to be adopted for a Community water policy.

With regard to flora and fauna, after four years of discussions, the Council reached a common position on the proposal for a regulation laying

down provisions with regard to possession of and trade in specimens of species of wild flora and fauna. Those provisions are intended to ensure better implementation of the Washington Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).

The regulation amending the regulation establishing a financial instrument for the environment (LIFE — 1996–99), on which the Council adopted a common position, will enable the European Community to promote measures to protect the environment and nature in the European Union, as well as in certain Mediterranean and Baltic third countries.

The Council also adopted a directive on the limitation of noise emitted by hydraulic excavators, rope-operated excavators, bulldozers, loaders and excavator-loaders.

With regard to interinstitutional relations, it should be emphasised that in 1995, due to a change in the main objective of the texts during the discussions, the Council suggested to the Parliament a change in the legal basis replacing the co-decision procedure by the cooperation procedure for three proposals (landfill of waste, disposal of PCB/PCT and trade in wild flora and fauna). Those changes were accepted by the Parliament, which enabled the Council to adopt common positions concerning the proposal for a directive on the landfill of waste and the proposal for a directive on the disposal of PCB and PCT.

#### **(xi) Energy**

The year 1995 was essentially marked by proceedings with a view to establishing the internal energy market in electricity and by the continuation of activities aimed at setting up trans-European electricity and natural gas networks.

In the field of energy efficiency, the Council reached agreement on the substance of the common position on a proposal for a directive of the European Parliament and of the Council in the field of energy-efficiency requirements for household refrigerators.

In the light of the Green Paper from the Commission entitled 'For a European Union energy policy', the Council adopted a major resolution in this context. On that basis, the Commission submitted to the Council a White Paper containing reflections on Community energy policy guidelines.

With regard to external relations in the field of energy, the Council adopted a position on the progress of proceedings on the Energy Charter, particularly those concerning the second Charter Treaty for the protection of investments at the pre-investment stage.

The Council continued its legislative proceedings with a view to maintaining a high level of protection against radiation in the European Union. In this context, it adopted a regulation extending until the year 2000 the provisions concerning the conditions governing imports of agricultural products originating in third countries following the accident at the Chernobyl nuclear power station. Moreover, substantive agreement was reached on updating the directive laying down the basic safety standards for the protection of the health of workers and the general public against the dangers arising from ionising radiation.

The European Atomic Energy Community's bilateral and multilateral relations were strengthened. The Council adopted a decision approving the signing by the Commission of a new nuclear cooperation agreement with the United States to replace the existing agreement, which expired at the end of 1995.

The Council also adopted negotiating directives concerning agreements in the fields of thermonuclear fusion and nuclear safety with Kazakhstan and Ukraine and negotiating directives for an agreement for cooperation with Argentina on the peaceful uses of nuclear energy.

#### **(xii) Civil protection**

In the context of Article 3(t) of the EC Treaty, which mentions the possibility of adopting measures in the sphere of civil protection, the Council received a proposal for a decision

establishing a Community action programme in the field of civil protection, which it has started examining.

#### **J. Justice and home affairs**

Further to the request made by the European Council in Brussels, the Council submitted for the second time a report on achievements in the field of justice and home affairs in 1995.

At a general level, the Council held a discussion on the structure and operation of the third pillar and identified a number of adjustments which could improve efficiency in the short term. Adoption by the Council of a document entitled 'Better use of the instruments in Title VI of the Treaty on European Union' contributed to improving the operation of the third pillar.

The Council formally adopted a joint action defining measures which could be financed on the basis of Article K.8 of the Treaty on European Union out of the appropriation of ECU 5.2 million in the 1995 budget and defined in a decision the criteria governing eligibility and the procedure for the selection of projects.

Pursuant to Article K.6 of the Treaty on European Union, the French and Spanish Presidencies ensured that the European Parliament was regularly informed of proceedings under the third pillar and consulted on a number of subjects.

Efforts were made to achieve greater transparency of proceedings under Title VI. The Council therefore adopted a decision concerning publications of acts in the field of asylum and immigration providing for publication of a series of earlier decisions. At that meeting, the Council agreed on a statement stipulating that acts adopted in this area in the future would in principle be published. The Council also held a public discussion on the draft convention on matrimonial matters (Brussels II) at its meeting on 25 September 1995.



In the field of relations with third countries, a structured dialogue was initiated with the applicant countries such as the CCEE, Cyprus and Malta, comprising two meetings with the ministers of the CCEE and one with the ministers of Cyprus and Malta. A major part of the actions resulting from the New Transatlantic Agenda signed on 3 December 1995 concerns cooperation in combating organised crime, terrorism, drug trafficking, immigration, asylum and judicial cooperation. The declaration adopted in Barcelona at the Euro-Mediterranean Conference likewise provides for actions in particular to combat illegal immigration (readmission clauses), terrorism and drug abuse. At ministerial level, troika meetings were held with the United States, Canada, Norway, Switzerland, Morocco and the Andean Group.

**(i) Asylum and immigration**

The Council agreed to a resolution concerning minimum guarantees to be offered by asylum procedures and agreed in principle to a common position concerning harmonised application of the definition of refugee within the meaning of Article 1A of the Geneva Convention — a subject to which, given its complexity, Council bodies have devoted their attention for several years. Progress was also made with regard to ratification of the Dublin Convention on determining the State responsible for examining applications for asylum lodged in one of the Member States of the European Communities.

With regard to admission, the Council formally adopted a resolution on burden-sharing with regard to the admission and residence of displaced persons on a temporary basis and agreed in principle to a decision on an alert and emergency procedure for burden-sharing with regard to the admission and residence of displaced persons on a temporary basis, which supplements the above resolution. It also agreed in principle to a resolution on the status of third-country nationals residing on a long-term basis in the territory of the Member States of the European Union and to a decision on monitoring the im-

plementation of texts concerning admission adopted by the Council.

With regard to expulsion, a recommendation on the guiding principles to be followed in drawing up protocols on the implementation of readmission agreements was formally adopted by the Council and it agreed in principle to two recommendations, one on harmonising means of combating illegal immigration and illegal employment and improving the relevant means of control and the other on concerted action and cooperation in carrying out expulsion measures.

The Council also agreed in principle to readmission clauses which may be included where appropriate in joint agreements which may be concluded by the European Community and its Member States, of the one part, and third countries, of the other part.

With regard to visas, the Council formally adopted the regulation laying down a uniform format for visas and a regulation determining the third countries whose nationals must be in possession of a visa when crossing the external borders of the Member States. The Council also reached agreement in principle on a joint action on airport transit arrangements. It also agreed in principle to a recommendation concerning local consular cooperation regarding visas.

**(ii) Police and customs cooperation**

The major event in police and customs cooperation was the adoption of the Council act establishing the Convention, based on Article K.3 of the Treaty on European Union, on the Establishment of a European Police Office (Europol Convention), intended to facilitate the exchange of information between the police forces of the Member States of the Union and to analyse crime, its objective being to prevent and combat terrorism, drug trafficking and other serious forms of international crime where there are factual indications that an organised criminal structure is involved and that two or more Member States are affected.

The European Council recommended that every effort be made formally to adopt and implement that convention at the earliest opportunity after ratification by the national parliaments. It agreed to settle the question of any powers to be allocated to the Court of Justice of the European Communities at its June 1996 meeting at the latest. Meanwhile, the Council agreed in principle to the draft rules of procedure of the management board.

The Council also adopted a resolution on the international specifications concerning the lawful interception of telecommunications. On 23 November 1995 the 15 Member States and Norway signed a memorandum of understanding on the lawful interception of telecommunications which remains open for signature by other third countries, in particular the members of the Quantico Group (United States, Australia, Canada and Hong Kong).

On 26 July 1995 the Council adopted the act establishing the convention concerning the use of information technology for customs purposes (CIS Convention), which was signed the same day by the Union Member States. The customs information system is designed to help prevent, identify and prosecute serious violations of national legislation by establishing a system of rapid information exchange to make customs cooperation and monitoring procedures more efficient. This national legislation covers *inter alia* illegal drug trafficking and prohibitions or restrictions on the import, export or transit of goods referred to in Articles 36 and 223 of the EC Treaty.

With a view to combating customs fraud and drug trafficking, the Council decided to carry out joint customs inspection operations at the external frontiers of Member States of the Union. As part of the measures for greater security at external borders, the customs authorities have for several years conducted a number of operations to inspect air passengers and airfreight, as well as a temporary operation to inspect shipping.

The assessment of the external and internal threat posed by terrorism to the Member States of the Union was given six-monthly examination. The Council emphasised the importance of cooperation between the Member States for combating terrorism. The Council conclusions of 25 September 1995 and the La Gomera Declaration on terrorism, adopted on 23 November 1995, express the Council's firm resolve to step up operational anti-terrorist measures.

A report on drugs was submitted to the European Council in Madrid providing for detailed measures for controls at external frontiers and within the Union, combating money laundering, preventing the diversion of precursors, training and judicial cooperation. By means of a joint action, the Council confirmed and extended the terms of reference of the Europol Drugs Unit (EDU) with a view to including illicit trafficking in drugs and nuclear and radioactive substances, illegal immigration networks and illicit trafficking in motor vehicles, including the criminal organisations involved and associated money-laundering activities.

Agreements on precursors within the framework of the Treaty on European Union between the European Community and the five Andean Pact countries were signed in Madrid on 18 December 1995. These agreements will also boost the strategy for anti-drug cooperation between the European Union and Latin America.

With regard to organised crime, when adopting reports covering 1993 and 1994 respectively, the Council pointed out that organised crime was a threat to all the countries of the European Union which would affect the normal operation of economic, political and social institutions, and concluded that it was necessary to step up operational measures.

### **(iii) Judicial cooperation in criminal and civil matters**

With regard to criminal matters, the Council adopted an act aimed at drawing up a convention on simplified extradition procedure

between the Member States of the European Union in order to facilitate proceedings where the person claimed consents. The Member States signed the convention on the same day. The Convention on the Protection of the European Communities' Financial Interests was also drawn up by the Council and signed by the representatives of the Member States.

Taking account of the conclusions of the European Council in Cannes and the report from the Consultative Commission on Racism and Xenophobia, certain measures to be taken to combat racism and xenophobia were proposed within Council meetings (justice and home affairs, labour and social affairs and education) and the consultative commission. The European Council in Madrid was informed of the results achieved within the various Council bodies concerning this strategy and requested that a joint action be adopted concerning action to combat racism and xenophobia, in the light of, amongst other things, the study of national legislation on the subject, in order to facilitate international judicial cooperation in combating racism and xenophobia.

In the context of combating international organised crime, the Council adopted a resolution on the protection of witnesses and a programme of action aimed at establishing cooperation with the associated countries in combating this form of crime.

With regard to judicial cooperation in civil matters, the Council instructed the appropriate bodies to continue discussions on a draft convention on jurisdiction, recognition and enforcement of judgments relating to the invalidity of a marriage, divorce and legal separation (Brussels II), providing for inclusion in the scope of the convention of the exercise of parental authority over the children of both spouses at the time of the dissolution of the marriage. The Council also agreed to a joint approach with regard to the drafting of a convention on the recognition and enforcement of foreign judgments in civil and commercial matters within the framework of The Hague Conference. The Council also gave the appropriate forums all latitude to draw up a convention on the simplified service of court documents.

On the basis of Article 220 of the EC Treaty and in connection with the measures for achieving the internal market, the Convention on Insolvency Proceedings was opened for signature on 23 November 1995.

Finally, draft conventions enabling the three new Member States to accede to the 1968 Brussels Convention on Jurisdiction and the Enforcement of Judgments and the 1980 Rome Convention on the Law Applicable to Contractual Obligations will be examined shortly.

## II. EXTERNAL POLICIES — CFSP

### A. Pre-accession strategy

At its meetings in Cannes and Madrid, the European Council confirmed that accession negotiations for Malta and Cyprus would begin six months after the completion of the 1996 Intergovernmental Conference, taking into account the outcome of the conference. The Madrid European Council expressed the hope that the first phase of the negotiations with the CCEE would coincide with the start of negotiations with Cyprus and Malta.

For the CCEE, the European Council confirmed the need to make proper preparations for enlargement on the basis of the criteria established in Copenhagen and under the pre-accession strategy set out in Essen. This strategy, which the European Council regards as a contribution to security and stability in Europe, will have to be intensified in order to create conditions for the gradual, smooth integration of those countries, in particular through the development of a market economy, democracy, human rights, building a society based on the rule of law, respect for and protection of minorities, the adjustment of their administrative structures and the creation of a stable economic and monetary environment.

Taking note of the Commission reports on the impact of enlargement on European Union policies, on alternative strategies in agriculture and on the development of the pre-accession strategy for the associated countries of central and eastern Europe, the European Council asked the Commission to amplify upon its assessment of the impact of enlargement on Community policies, particularly as regards agricultural policy and structural policies. The European Council would continue its appraisal at forthcoming meetings on the basis of Commission reports.

A number of countries of central and eastern Europe submitted their applications for membership of the European Union in 1995, in addition to Hungary and Poland, which had lodged their applications in 1994. The Council decided, on 17 July for Romania and Slovakia, on 30 October for Latvia and on 4 December for Estonia, to set in motion the procedures laid down by Article O of the Treaty on European Union, which requires consultation of the Commission and the assent of the European Parliament. Bulgaria and Lithuania then also submitted their membership applications at the European Council meeting in Madrid.

The European Council asked the Commission to press ahead with preparation of its opinions on the applications submitted, with a view to forwarding them to the Council as soon as possible after the completion of the Intergovernmental Conference, and to begin preparing a comprehensive document on enlargement. This procedure ensures equal treatment for all applicant countries.

After the completion of the Intergovernmental Conference and in the light of its outcome and of the Commission reports and opinions referred to above, the Council will at the earliest opportunity take the decisions required for the opening of accession negotiations.

### B. Common foreign and security policy

In 1995, common foreign and security policy (CFSP) was able to put more focus on topics of common interest, with a view to adopting joint action, since organisational matters, including the relationship between European Union

institutions and the Western European Union, had been resolved the previous year and a *modus operandi* had been arrived at on financing. The accession of three new Member States lent EU foreign policy a further dimension.

In terms of activities, nine joint actions were decided on (three of them to supplement and two to amend actions undertaken the year before or even, in the case of Bosnia and Herzegovina, upon entry into force of the Treaty in the last quarter of 1993). Thirteen common positions were adopted (five of them supplementing or extending positions determined in 1994).

With regard to the CFSP's operation and methods, the Council adopted, on 12 June, a document on the Council's working methods and the Union's external relations, which contains proposals for improvements.

#### **(i) Human rights**

Respect for and protection of human rights remain the foundation of Union policy, both within the Union and in its dealings with the other countries of the world.

In accordance with the development cooperation objectives of the EC Treaty and the provisions of Title V of the Treaty on European Union, the Union has continued its policy in pursuance of universal observance of human rights, consolidation of democracy and the rule of law. Pointing to the importance, across the Union, of combating racism and xenophobia, the European Council in Cannes welcomed the work carried out by Council bodies and by the consultative commission set up by the European Council in 1994, in Corfu. It asked that commission to continue its work in order to consider, in cooperation with the Council of Europe, the feasibility of a European monitoring centre on racism and xenophobia.

Establishing human rights as a major plank in its common foreign and security policy, the Union continued its action directed at countries

in which serious breaches of democratic principles and human rights persist. For that purpose, firstly, it made confidential representations and published declarations condemning such practices and, secondly, in some cases combined those responses with measures such as amendment of the content of cooperation programmes, postponement of signings required for the implementation of agreements or cooperation programmes and even suspension of cooperation, while seeing to it that the population of the country concerned did not suffer as a result. The Council accordingly adopted conclusions concerning human rights clauses in Community agreements with non-member countries. The suspension mechanism approved in this way forms a corollary to the Union's policy and practice.

The Union also showed the importance that it attaches to observance of human rights and democratic principles by contributing to the proceedings of the relevant international organisations and forums and calling for an increase in the resources earmarked by the UN for protection of human rights. In addition, the Union has striven in its contractual relations with other States for recognition of the principle of social development and in particular the promotion of basic social rights.

#### **(ii) Security**

The Council embarked upon consideration of the new European security architecture with the aim of ensuring that the development of that architecture strengthens peace, stability and security throughout the continent and that, with that end in view, the institutions with responsibility for security are mutually reinforcing. In this connection the involvement of the countries of central and eastern Europe with CFSP activities, including security matters, is a factor making for their integration into that new European security architecture. The same is true of the Union's active contribution to the OSCE exercise on a common and comprehensive security model for Europe in the 21st century.

Throughout the year, Member States continued to engage in regular consultation in order to ensure consistency and unity in the presentation of their positions and in the conduct of Union activities on the international stage.

The basic aim of the Union's joint action, adopted by the Council ahead of the conference of States parties to the Nuclear Non-Proliferation Treaty, was achieved with the adoption by the conference of the decision to extend the Treaty indefinitely. The Union also committed itself to the conclusion, by June 1996, of a comprehensive nuclear test-ban treaty and a treaty banning the production of fissile material for nuclear weapons.

In preparation for the conference to review the 1980 Convention on the Use of Certain Conventional Weapons, commonly referred to as 'inhuman' weapons, the Council adopted a joint action concerning anti-personnel mines. In the same connection, the Council also adopted a common position concerning blinding laser weapons.

In accordance with the conclusions of the Brussels European Council of 29 October 1993 and in full compliance with the provisions of the Treaty, the Union continued to cooperate closely with the WEU in a number of appropriate areas.

Amendments were made to the integrated system for the control of exports of dual-use goods, adopted in 1994, in order to defer the date of introduction of the system until 1 July and also to make allowance for the Union's enlargement to take in Austria, Finland and Sweden and for New Zealand's membership of the Nuclear Suppliers Group. On 4 December the Council reached agreement in principle on the updating of the arrangements established in 1994.

### **(iii) Political dialogue**

Political dialogue has been stepped up and expanded under the CFSP in order to increase the

Union's presence and influence in relation to its outside partners. The inclusion of a political component in an increasing number of agreements concluded or under negotiation with countries or groups of countries has turned political dialogue into one of the main channels for putting into practice the guidelines and strategies established under the CFSP.

The 'structured dialogue' with the CCEE, also embracing Cyprus and Malta, is more of a pre-accession and association strategy than a political dialogue proper. In 1995 the Union maintained institutionalised political dialogues with a number of countries from all continents, with regional organisations and also under the auspices of a number of association councils. Such dialogue operates on a number of levels (summits, ministerial meetings, meetings of political directors and working parties).

### **(iv) International organisations and conferences**

#### *United Nations*

The Union played an active part in the various aspects of consideration of the future of the United Nations, an exercise marking the 50th anniversary of the United Nations Charter. In Cannes, the European Council, firstly, solemnly reaffirmed the Union's attachment to the aims and principles of the charter and again pledged its commitment to serve the ideals and action of the United Nations and, secondly, pointed to the willingness of the Union, which is far and away the prime financial contributor, the prime supplier of troops for peacekeeping operations and the prime donor of multilateral development aid and humanitarian aid, to maintain its support for the organisation.

At the 50th United Nations General Assembly, the President-in-Office of the Council in particular reiterated the Union's commitment to United Nations peacekeeping activities and highlighted the need to improve coordination between the United Nations and regional organisations. On the Union's behalf, he called on the United

Nations and its Member States to continue and step up the reform programme under way, particularly with the aim of more appropriately tailored UN structures and institutions. Lastly, he expressed concern at the serious financial crisis affecting the UN and urged all of its Member States to honour their financial obligations in full, on time and unconditionally.

### *Organisation for Security and Cooperation in Europe (OSCE)*

On the 20th anniversary of the signing of the Helsinki Final Act, the Union published a declaration reaffirming its belief that the OSCE, bringing together all European States plus the US and Canada, is the only organisation in a position to play an important role in the establishment of a united, stable and secure Europe. In Madrid, the European Council restated the Union's intention of making an active contribution to the strengthening of the OSCE.

In implementation of the decisions taken at the Budapest Summit, which converted the CSCE into an organisation, the Union played an active part in the proceedings of the Permanent Council and other OSCE bodies. In order to contribute to the strengthening of collective security in Europe on the basis of OSCE principles, the Union made a major contribution to the drawing-up of a common and comprehensive security model for Europe in the 21st century. The OSCE Ministerial Council meeting in Budapest on 7 and 8 December saw the decision to establish an OSCE mission for peace, democracy and stability in Bosnia and Herzegovina, under the Dayton Agreement concerning elections, human rights monitoring, arms control and confidence-building and security measures in former Yugoslavia.

As part of preventive diplomacy and peace-keeping, the Union supported in particular the OSCE's efforts in the Chechen crisis, the negotiations on Nagorno-Karabakh in the Minsk Group and the organisation's preventive diplomacy missions.

### *Stability Pact*

The Stability Pact, the Union's first exercise in preventive diplomacy, was concluded at the Conference on Stability in Europe, attended by 52 countries in Paris on 20 and 21 March 1995. That conference also marked the completion of a set of negotiations structured on the basis of two round tables, one for the Baltic region and another for the other central and east European countries. Meeting seven times, chaired by the Union, those two round tables considered issues relating to borders and minorities as well as to regional economic cooperation.

The Stability Pact, comprising a political declaration and a list of bilateral agreements and arrangements, was submitted, at the Paris Conference held under Union auspices, to the Organisation for Security and Cooperation in Europe (OSCE), which is to monitor it with the Union's active support.

### **C. Former Yugoslavia**

The Union has played a major role, commensurate with its interests in the region and its contribution to humanitarian aid, for some ECU 1 600 million (including Member States' bilateral contributions of which the Commission is aware), ECU 1 070 million of this in ECHO-funded projects and programmes, the Union has on its own put up 66 % of all the assistance supplied by the international community since the beginning of the crisis.

The Union has also made a crucial contribution to the efforts of the international community, particularly for the purposes of harnessing all initiatives, under United Nations auspices, in liaison with the US and the Russian Federation and via the contact group, aimed at a political settlement of the crisis.

Looking to the longer term, the Union wishes to establish lasting relations with the countries of the region once the conditions laid down in the Council conclusions of 30 October 1995 permit,

and conclude with them agreements forming part of a regional approach. Before the agreements are concluded, there should be a clear analysis of all the problems affecting the Union's relations with the region and with each of the countries, and the relevant possibilities. Such agreements should include clear political and economic conditions, in particular respect for human and minority rights, the right of displaced persons and refugees to return, democratic institutions, implementation of political and economic reforms, willingness by such countries to establish between them open relations based on cooperation, full compliance with the clauses of the peace agreement and, in the case of the Federal Republic of Yugoslavia (Serbia and Montenegro), extensive autonomy for Kosovo within it.

With regard to Bosnia and Herzegovina, the Union continued implementing the joint action of 8 November 1993 on humanitarian aid. In order to avoid any risk of the conflict in Bosnia and Herzegovina escalating and spreading throughout the region, the Union also maintained its opposition to any lifting of the arms embargo. For the time being, the administration of Mostar made an effective contribution to its reconstruction. In the course of the peace talks in the United States, the Union, represented by Mr Carl Bildt, reaffirmed its interest in the constitutional framework for Bosnia and Herzegovina and in territorial arrangements as prior issues for the establishment of lasting relations between the Union and Bosnia and Herzegovina.

The agreements initialled in Dayton on 21 November and signed in Paris on 14 December bore out the line taken by the Union, whose contribution to international efforts has consistently been aimed at a just and lasting solution to the crisis in former Yugoslavia. The Union has continued to play a key role at several international conferences signalling the start of a delicate stage of peacemaking and reconstruction in the region.

The Union adopted a joint action concerning its participation in the structures to implement the

peace agreement for Bosnia and Herzegovina, providing in particular for up to ECU 10 million as the Union's contribution to operating expenses for the High Representative's mission, as part of equitable burden-sharing with other donors. Teams from the ECMM (European Community Monitoring Mission) have accordingly been assigned to take part in activities by the OSCE electoral mission in Bosnia and Herzegovina, as the Union's contribution to the success of the electoral process in that Republic.

In the case of Croatia, in the light of the positive developments in the spring, particularly as regards the continued presence of United Nations forces, the Council authorised the opening of negotiations for the conclusion of a trade and cooperation agreement together with a financial protocol and a transport agreement and approved the extension of the Phare programme to Croatia. On a number of occasions, the Union voiced concern at the worsening situation on the ground following military operations by the Croatian authorities in the Krajina region and attacks by the Serbs against the Croatian capital and the Bihac pocket. On 4 August, on account of developments in the military situation in the Krajina region, the Union decided to suspend the negotiations in question as well as activities under the Phare programme. Being particularly concerned at the influx of refugees following the military offensive in the Krajina region, the Union demanded that Croatia respect in full the human rights of the remaining Serb population groups and that the Croatian authorities take all measures necessary to allow and facilitate the voluntary return of refugees in dignity and safety.

As regards the Federal Republic of Yugoslavia (FRY), the Union called, in the Council conclusions of 30 and 31 October, for immediate respect for human rights in Kosovo and the granting of extensive autonomy for Kosovo within the FRY and for minority rights in Vojvodina and Sandzak in particular.

In accordance with United Nations resolutions suspending some limited sanctions imposed on



the FRY (Serbia and Montenegro), the Union adopted three common positions concerning the extension of that suspension. Under the resolution allowing the export to the FRY of supplies needed to repair locks on the north bank of the Danube, the Union adopted a common position concerning the suspension of trade restrictions in respect of such supplies.

The European Union noted with approval the interim agreement reached in New York on 13 September between Greece and the Former Yugoslav Republic of Macedonia (FYROM) inasmuch as that agreement should contribute to stability in the region and help its economic development. The Council therefore authorised the Commission to negotiate with the FYROM a trade and cooperation agreement similar to the existing trade and cooperation agreement with Slovenia and the proposed trade and cooperation agreement with Croatia. It confirmed its consent to the FYROM's eligibility for the Phare programme.

#### **D. European Economic Area — Relations with the EFTA States**

Following the accession of Austria, Finland and Sweden to the European Union and the entry into force of the Agreement on the EEA for Liechtenstein, the European Economic Area (EEA) now comprises the 15 Member States of the European Union, plus Iceland, Norway and Liechtenstein.

Developments in connection with the enlargement of the European Union provided the Union and EFTA with an opportunity to flesh out further the framework for future cooperation between them in the EEA. The Union and EFTA took the view that the main aim of future cooperation between them should be to ensure that the Agreement on the European Economic Area continues to operate effectively and to provide a basis for dynamic, homogeneous relations between the European Union and the EFTA States forming part of the EEA. Both sides also agreed to step up political dialogue between them, under the Agreement on the EEA, as regards foreign policy issues of mutual interest.

In 1995 the EEA Council held its third and fourth meetings. At those meetings, it assessed the overall operation and the development of the Agreement on the EEA and looked into a number of specific issues such as the cumulation of origin rules in Europe.

The accession of Austria, Finland and Sweden to the European Union, coupled with the implementation of the agricultural agreements concluded in the Uruguay Round of multilateral negotiations, made it necessary to adjust the trade agreements concluded by Iceland, Norway and Switzerland with the Community. The relevant negotiations were successfully completed as regards agricultural products and fishery products. For processed agricultural products, however, negotiations will have to continue into 1996.

The European Union's relations with Switzerland in 1995 were marked in particular by the ongoing negotiations which the European Union decided to hold with Switzerland for the conclusion of new bilateral agreements on freedom of movement of persons, on research and technological development, on agriculture, on mutual recognition of conformity assessment, on public procurement and on inland and air transport. The negotiations form part of the policy established by the Council following Switzerland's decision in December 1992 not to join the European Economic Area.

#### **E. Associated countries of central and eastern Europe, including the Baltic States (CCEE) and Slovenia**

The most notable feature of 1995 was the implementation of the strategy to prepare the associated countries of central and eastern Europe (CCEE) for accession, a strategy mapped out by the European Council in Essen. That strategy covers the countries which have signed Europe association agreements with the Union: Bulgaria, Hungary, Poland, the Czech Republic, Romania and Slovakia, with the addition as from June 1995 of the three Baltic States (Estonia, Latvia and Lithuania).

A key instrument in that strategy is the introduction between the associated CCEE and the Union of a 'structured dialogue' designed to foster mutual confidence by establishing a consultative framework for consideration of matters of common interest. This process, clearly demonstrated by the invitation to the Heads of State or Government of the associated countries to be present on the occasion of the European Council meetings in Cannes and Madrid, took practical shape in 1995 with the holding of a number of joint sectoral meetings at ministerial level.

In Cannes, the European Council reached agreement on the appropriations to be set aside over the period 1995–99 for financial cooperation with the countries of central and eastern Europe. The total set for that period amounts to ECU 6 693 million.

In response to the call issued by the European Council in Essen, the Commission drew up a White Paper on the integration of those countries into the internal market, which was submitted to the European Council in Cannes. Without anticipating or pre-empting future membership negotiations, the White Paper is intended to guide and assist the associated countries in their efforts to integrate with the internal market. In Madrid, the European Council took cognisance of two Commission reports on progress in implementing the pre-accession strategy and on the various possible strategies for building on relations between the Union and the associated countries in agriculture with accession in prospect.

The Council also authorised the Commission to negotiate with the six associated CCEE adjustments to the Europe agreements following Union enlargement and implementation of the outcome of the Uruguay Round. It established additional negotiating directives aimed at improving trade relations in the case of trade in agricultural products and processed agricultural products. Pending the completion of negotiations, autonomous measures were taken so as not to disrupt traditional trade flows.

On 1 February 1995 the Europe association agreements with Bulgaria, Romania, the Czech Republic and Slovakia entered into force; these agreements come on top of those with Hungary and Poland, already in force since 1 February 1994. In 1995 the institutional framework under the first six Europe agreements was fully established. A meeting of each of the six association councils, forming the association's highest body, was held in 1995. The association committees, responsible for preparing for the councils' discussions and maintaining continuity in association relations, and the parliamentary association committees, providing a forum for dialogue between members of the European Parliament and members of the associated CCEE national parliaments, also met.

At each of those meetings, besides an overview of the state of and prospects for bilateral relations under the Europe agreement, the association council spent a substantial part of its proceedings discussing two matters of particular importance. The four councils meeting for the first time (Bulgaria, Romania, the Czech Republic and Slovakia) adopted their rules of procedure as well as those of the association committees.

The association councils also took a number of decisions, under the powers conferred on them by the Europe agreements, bringing progress in bilateral relations. In this way the association council with Hungary took a decision to amend Protocol No 4 to the Europe agreement, concerning the rules of origin. It should also be noted that, at the association council meeting with Poland, it was established that, for the first time in order to settle a trade dispute between the two sides, use would be made of the arbitration procedure under the Europe agreement.

In relations with the three Baltic States (Estonia, Latvia and Lithuania), the event of the year was the signing on 12 June of the Europe agreements with those three countries. Pending completion of the ratification procedures since initiated by the parties, contractual relations between the Community and those three countries are

governed by the agreements liberalising trade and introducing accompanying measures (free-trade agreements) which came into force on 1 January 1995.

It should be pointed out that, in Madrid, having taken note of a Commission report on the present state of and prospects for cooperation in the Baltic Sea region, the European Council asked the Commission to prepare a suitable regional cooperation initiative and present it to the Heads of State or Government on the Baltic Sea Council at their conference in Visby on 3 and 4 May 1996 and then report back to the European Council meeting in Florence.

On relations between the Union and Slovenia, the Council decided to authorise the Commission to open negotiations and adopted negotiating directives for a Europe association agreement to replace the 1993 cooperation agreement. Although the negotiations culminated in the initialling of texts by the negotiators, it did not prove possible to sign the agreement.

At its meetings in Cannes and Madrid, pointing to the need to harmonise Slovenia's property legislation with Community rules, as envisaged in the statement entered in the Council minutes when the negotiating directives in question were adopted on 6 March 1995, the European Council hoped that the association agreement with Slovenia could be signed as soon as possible.

## **F. Eastern Europe and central Asia**

The strengthening of the Union's relations with Russia and the other successor States to the former USSR forged ahead. The general framework is formed by the partnership and cooperation agreements which the Union has set out to negotiate and conclude in principle with these States. After signing such agreements with Ukraine, Russia and Moldova in 1994, the Union expanded its contractual relations by signing similar agreements with Kazakhstan, Kyrgyzstan and Belarus in 1995. The interim agreements

with Russia and Ukraine, which give effect to the trade provisions of the partnership agreements straight away, pending completion of national ratification procedures, were intended to come into force before 1 February 1996.

In terms of assistance, the Community continued its efforts on behalf of the republics of the former USSR. A new food-aid operation was decided on for people in the Caucasus, Kyrgyzstan and Tajikistan of a value of up to ECU 197 million. The Council also granted balance-of-payments credit to Belarus for the first time and a further balance-of-payments credit to Ukraine. Lastly, in view of the expiry on 31 December 1995 of the regulation on the Tacis programme, the Council confirmed the Union's willingness to continue with assistance to the former USSR under that programme for a further period. In Madrid, the European Council pointed to the importance of the new Tacis regulation being adopted early in 1996.

Over the first half of the year, the Union's relations with Russia were overshadowed by the crisis in Chechnya, prompting the Union to make repeated representations and declarations expressing its concern at human rights violations and the intensity of the fighting. The Union also took the view that, under the circumstances, the signing of an interim agreement with Russia was untimely. The improvement in the situation was deemed sufficient, at the European Council meeting in Cannes, for the signing to be contemplated and it took place in Brussels on 17 July.

More generally, in Cannes, the European Council confirmed the importance attached by the Union to the development of its relations with Russia, a country regarded as crucial for the stability of the European continent, and its wish to establish a substantial partnership with Russia. With that in mind, the Council identified the bases on which to frame a Union strategy towards Russia and adopted conclusions concerning that strategy, determining the components of a common approach to be embodied in an action plan involving specific measures. In Madrid, the European Council

took the view that the holding of parliamentary elections on 17 December set the seal on the consolidation of democratic principles in Russia.

With regard to Ukraine, the Union endeavoured to implement the objectives set out in its common position of 28 November 1994. The interim agreement on trade and trade-related matters was accordingly signed by both sides. While welcoming the progress of economic reform in Ukraine and the decision to grant it the first instalment of a balance-of-payments loan for 1995, in Cannes the European Council pointed to the link between the continuation of that policy and the implementation of Ukraine's decision to shut down the Chernobyl nuclear power plant in 1999. In Madrid, the European Council welcomed Ukraine's accession to the Council of Europe.

The main highlight of the Union's relations with Belarus was the signing of a partnership and cooperation agreement. As in the case of the other republics close to the Union, i.e. Ukraine, Russia and Moldova, it is envisaged that, when the time is ripe, consideration may be given to the establishment of a free-trade area.

The Council carried out an overall appraisal of the situation obtaining in the various successor republics to the former USSR, in order to adjust the Union's general approach to the specific features of each of them. The Council accordingly authorised the opening of negotiations with Armenia, Georgia and Azerbaijan for partnership and cooperation agreements on the basis of the existing general negotiating directives. Negotiations with the Caucasus countries culminated in the initialling of partnership and cooperation agreements with Georgia, Armenia and Azerbaijan, the content of which is based on those signed with Kyrgyzstan and Kazakhstan in 1995. The Council also asked the Commission to hold exploratory talks with Uzbekistan and Turkmenistan and to report back to it.

The Union monitored developments in the democratic reform process in the central Asian and

southern Caucasian States, in particular by sending observers to elections in Kyrgyzstan, Kazakhstan, Armenia, Azerbaijan and Georgia.

## **G. South-east Europe**

The line taken by the European Council at its meetings in Corfu and Essen, confirming that the next round of Union enlargement would include Cyprus and Malta, was spelt out in more detail at its meetings in Cannes and Madrid, namely that the negotiations for the accession of these two countries would commence, on the basis of the Commission proposals, six months after the conclusion of the 1996 Intergovernmental Conference, and take account of the results. The Council had previously agreed to a timetable and to the establishment of a structured dialogue with each country in the framework of the pre-accession strategy.

Under the structured dialogue established with Cyprus and Malta, several meetings were held at various levels. The Heads of State or Government of both countries met the European Council in Cannes and in Madrid, while the Union's ministers for foreign affairs held a first full meeting with their counterparts from Cyprus and Malta in Brussels on 21 November.

In view of the status quo in Cyprus, which it considered unacceptable, the Union reaffirmed its support on a number of occasions for a comprehensive settlement of the Cypriot question in accordance with Security Council resolutions and on the basis of the idea of a bi-community, bi-zonal Cypriot federation.

The Union's relations with Turkey were marked by the culmination of the process leading up to the entry into force on 31 December 1995 of a customs union between the Union and Turkey. This result was facilitated by the significant step towards greater democracy taken by constitutional reform in Turkey with a view to establishing a system fully consistent with respect for human rights and the rule of law. The Union restated on several occasions its position that the

problems in south-eastern Turkey should not be approached as being basically a security issue and were accordingly not amenable to a purely military solution.

The association council meeting in Luxembourg on 30 October stated that the technical conditions for the proper functioning of the customs union were fulfilled and that from a technical viewpoint there was nothing to prevent the entry into force of the customs union on 31 December 1995. At that meeting, the Union pointed to the importance attached by it to the continuation of the democratic reform process under way and to the fact that the introduction of the customs union was subject to the European Parliament's assent. In this connection, in Madrid, the European Council welcomed the assent given by the European Parliament on 13 December, allowing the final stage of the customs union with Turkey to come into force on 31 December 1995, as well as the arrangements for stepping up political dialogue and institutional cooperation.

A free-trade agreement was also concluded with Turkey for ECSC products, rounding off the customs union established for EC products. As regards financial cooperation, subject to the European Parliament's opinion, the Council recorded political agreement on a draft regulation regarding the implementation of a special financial cooperation measure for Turkey. It was also decided that Turkey should benefit directly from the substantial aid from the EIB and from the EIB budgetary resources and loans which would be granted to the Mediterranean countries in general.

In support of the political and economic reform process in Albania, on 10 April the Council released the second instalment (ECU 20 million) of the macrofinancial assistance first supplied on 28 November 1994 (ECU 15 million). In view of Albania's progress on human rights, the Council also came out in favour of continuing such macrofinancial assistance.

## **H. Transatlantic relations**

Under the 1990 Transatlantic Declaration, two European Union–United States summits were held this year, in Washington on 14 June and in Madrid on 3 December. At the December summit, the Union and the US signed a New Transatlantic Agenda and a joint EU–United States action plan, based on a framework for action with four main objectives: promoting peace and stability, democracy and development in the world, rising to global challenges, contributing to the expansion of world trade and the establishment of closer economic relations, and building bridges across the Atlantic. This joint EU–US action plan details some 120 areas for bilateral cooperation and envisages *inter alia* a new bilateral technological cooperation agreement in two years' time.

The Council adopted two decisions concluding a new Euratom–US agreement on nuclear cooperation and an EC–US agreement on competition. Lastly, an agreement establishing a cooperation programme for higher and vocational education and training was signed.

A transatlantic business dialogue between the two sides was inaugurated at a meeting in Seville, at which initiatives were put forward to facilitate transatlantic trade and investment.

## **I. Euro-Mediterranean partnership — The Mashreq and Maghreb**

In Cannes, the European Council fleshed out the strategy established at its meetings in Corfu and Essen for the development of the Union's relations with the 12 Mediterranean countries and went on to set the Barcelona Conference the target of laying the foundations for a new, ambitious Euro-Mediterranean partnership, involving political and security partnership, economic and financial partnership and partnership in social and human matters. In addition, it agreed to the breakdown arrived at in the Council for appropriations over the period 1995–99 for financial cooperation with

Mediterranean countries, worth a total of ECU 4 685 million.

Inaugurating the Euro-Mediterranean partnership, the Barcelona Conference, meeting at ministerial level on 27 and 28 November, adopted a political declaration establishing a number of principles and objectives for each of the three facets of the partnership, together with a work programme.

At the same time, the Union endeavoured to reflect in practice bilaterally the importance attached by it to its ties with Mashreq and Maghreb countries by means of Euro-Mediterranean agreements, signed with Tunisia on 17 July, with Israel on 20 November and initialled with Morocco on 16 November. Negotiations for similar agreements were opened with Egypt, Jordan and Lebanon. At the European Council meeting in Madrid, the European Union also expressed its willingness to enter into negotiations with Algeria swiftly and with Syria as soon as possible.

The European Union further stated its wish to conclude with the West Bank and the Gaza Strip at the earliest opportunity a Euro-Mediterranean association agreement geared to the special situation of those territories.

The second EC-Lebanon Association Council meeting, held 15 years after the first one, in 1980, on account of the tragic events in Lebanon, heralded a fresh start in relations between the European Union and Lebanon. The situation in Algeria also remained a source of worry for the Union, which voiced its concern at the European Council meeting in Cannes, again calling on all those involved in political life to put an end to violence and find a political solution through peaceful dialogue and free, indisputable elections, as well as at the fifth meeting of the EC-Algeria Cooperation Council. At the same time, on the basis of these principles, the Union gave its views on certain internal developments in a number of declarations.

## **J. Middle East peace process — The Gulf and the Middle East**

The European Union kept up the active, constructive, even-handed role which it has played since the start of the peace process, contributing to its success with the Union's constant political and material support, while cooperating closely with the regional parties and the participants in the multilateral track as well as with the co-sponsors. In so doing, the Union continued to keep in touch with each stage of the peace process, the most significant in 1995 being the signing in Washington on 28 September of an interim agreement between Israel and the Palestine Liberation Organisation (PLO) concerning the extension of autonomy to further parts of the West Bank.

In this connection, the Council adopted conclusions committing the Union to step up its political and economic support for the West Bank and Gaza and two further decisions under the 1994 joint action to assist the Middle East peace process. Those decisions involve the possibility of contributing, for up to ECU 10 million out of the Community's general budget, to preparations/observers for the Palestinian elections and also the sending of 300 European observers (30 of them nominated by the European Parliament) and the setting-up of a European Union Election Unit (EUEU) to coordinate both the EU observers and those designated by other countries and organisations at the Palestinian Authority's instigation.

Bilaterally, the Union remains the main donor for the West Bank and Gaza, ahead of Saudi Arabia (ECU 76 million), the US (ECU 64 million) and Japan (ECU 30 million). In 1995 the Union as a whole (Community budget, EIB and Member States) allocated some ECU 183 million to Palestinian development and covered a significant proportion of the start-up costs and day-to-day expenditure of the Palestinian Authority, in particular for the Palestinian police force.

As part of the multilateral track of the process, the Union continued to bring drive to its

chairmanship of the Regional Economic Development Working Group (REDWG) and also played a significant role at the Amman Economic Summit on 29 and 30 October, aimed at stimulating private sector awareness of trade and investment opportunities in the region.

The Union's overall policy for regional stability continued to be built upon through differentiated bilateral relations.

A troika ministerial meeting with the Gulf Cooperation Council (GCC), held in Granada on 20 July, was given over to establishing a strategy for strengthening bilateral relations in the areas of economic and trade relations, scientific and cultural cooperation and political dialogue, together with specific proposals for the purpose. In the wings of the United Nations General Assembly, these proposals were approved at ministerial level.

The 'critical dialogue' between the Union and Iran, established at the European Council meeting in Edinburgh, continued in 1995 at a troika meeting and at ministerial level in the margins of the United Nations General Assembly. The dialogue provided a chance to raise the main topics of concern to the Union, in particular the situation of the author Salman Rushdie, international terrorism, Iranian policies on arms procurement and nuclear cooperation and the situation of minorities in Iran.

With regard to Yemen, the Council's decision to extend the scope of the existing 1984 cooperation agreement to the entire territory of the unified Republic of Yemen and the holding of the sixth EU-Yemen Cooperation Committee meeting in Brussels enabled the Union to contribute to the stabilisation of Yemen's internal situation.

The Union kept a particularly close watch on Iraq and reaffirmed its commitments as regards full implementation of all relevant United Nations resolutions.

For similar reasons, the Union took the same attitude towards Libya as regards full implementation of United Nations resolutions before any lifting of sanctions.

## **K. Development cooperation**

In considering the formulation of guidelines to point the way for future Community development cooperation policy, the Council adopted resolutions on support for structural adjustment in developing countries and for their regional integration efforts and on research for development. It also adopted conclusions on future Community cooperation with South Africa and, given the importance of enhancing the role of women in developing countries, a resolution concerning gender issues in development.

In Cannes, the European Council established the value and the financing of the eighth EDF, which totals ECU 13 307 million.

As regards legislation and specifically the legal bases for implementing the appropriations entered in the Community budget, the Council adopted a regulation concerning action to benefit tropical forests and reached agreement on the text of common positions on aid and food security, humanitarian aid and aid for rehabilitation and reconstruction.

The Council extended the current agricultural general system of preferences (GSP) scheme until 30 June 1996. The special agricultural GSP arrangements for some Central and South American countries were also extended, while the agricultural product coverage of the GSP scheme for South Africa was expanded.

The Community continued to engage in active cooperation with its partners in connection with international commodities agreements and maintained its position as one of the leading forces and as a major partner for developing countries. The Community and the Member States signed and ratified the 1995 International

Agreement on Cereals. The Community and representatives of the Member States signed the International Natural Rubber Agreement, 1995. For the International Coffee Agreement, 1994, which finally came into force on 19 May 1995, and the International Cocoa Agreement, 1993, activities focused on day-to-day management within the two organisations set up under them.

**(i) Relations with the ACP States**

Relations between the Union and its 70 ACP partners under the Lomé Convention featured the continuation and completion of negotiations on the mid-term review of the fourth ACP-EC Convention, signed in December 1989 and concluded for 10 years. The negotiations, opened in May 1994, were completed on 30 June 1995 as a result of agreement at the European Council meeting in Cannes on the second financial protocol to the convention.

The agreement amending the fourth Lomé Convention was signed in Mauritius on 4 November 1995. The value of the eighth EDF, made up in the main of grants, amounts to ECU 13 307 million, a revision of around 22 %, in ecus, compared with the previous EDF. Adding in EIB loans, aggregate Community financial aid under the revised convention stands at ECU 14 625 million over five years.

The political and institutional side of the convention has been strengthened, in particular with the inclusion of a suspension clause linked to respect for human rights, democratic principles and the rule of law, which are deemed to form an essential part of the agreement, and by the introduction of a political dialogue.

The agreement also includes fresh trade concessions for some agricultural products and relaxes the provisions on rules of origin. Lastly, a protocol to the convention to allow Austria, Finland and Sweden to become contracting parties to the convention was also signed in Mauritius on 4 November 1995. The Council adopted a decision allowing the provisional application of

certain aspects of the revised convention, in particular the commercial aspects, from 1 January 1996.

Day-to-day matters of implementation of ACP-EC cooperation were kept track of and discussed within joint bodies under the convention (Council of Ministers, Committee of Ambassadors and ACP-EC Joint Assembly). The Council of the European Union adopted a set of measures of interest to the ACP States with particular regard to rum and sugar, under the provisions of the relevant protocols to the convention.

**(ii) Relations with the OCTs**

Cooperation with the overseas countries and territories moved ahead under the 1991 association decision. The Council embarked upon a mid-term review of that decision, enacted for 10 years. It was decided at the European Council meeting in Cannes to raise the share of the eighth EDF for the OCTs to ECU 165 million.

**L. Africa**

The Union directed its political action for sub-Saharan Africa along two main lines. Firstly, the mid-term review of the fourth ACP-EC Convention enabled Lomé IV to be adjusted in the light of political developments since it was signed in 1989 by means of new provisions on respect for human rights, support for the democratic process and the stepping up of political dialogue.

Secondly, in accordance with the policy guidelines given by the European Council in Copenhagen and again in stronger terms at its meeting in Essen, the Union kept up its efforts to improve African conflict-prevention mechanisms. In Cannes, the European Council reaffirmed its confidence in the Organisation of African Unity's (OAU) ability to play its part for the future of the African continent and on that basis, in Madrid, the European Council approved guidelines concerning preventive diplomacy, conflict resolution and peacekeeping. In the context of politi-



cal dialogue with the OAU, the Union also paid particular heed to regional initiatives.

A number of African countries, however, still face serious crises, most of them internal in origin, as in the case of Sudan, Somalia, Sierra Leone, Nigeria, Gambia, Zaire and others. By way of its preventive diplomacy in particular, the Union here made substantial, specific contributions directed at and tailored to each situation by means of extensive humanitarian aid. Confirming measures taken in 1993, the Council accordingly adopted a common position, which it supplemented to penalise human rights violations committed by Nigeria.

Continuing to be concerned at persistent instability in the Great Lakes region, the Union kept up its efforts at preventive diplomacy under its common positions on Rwanda and Burundi and with humanitarian and emergency aid worth over ECU 500 million, backed up by considerable bilateral aid from Member States.

With regard to South Africa, the Council approved directives for the negotiation of a framework for long-term relations between the Community and the Republic of South Africa, centring on two strands: firstly, a protocol to the Lomé Convention dealing with the terms and conditions of South Africa's accession to the convention and, secondly, a bilateral trade and cooperation agreement between the European Community and South Africa. In addition, the Council adopted a common position for a regulation on development cooperation with South Africa, laying down procedures for implementing the European programme for reconstruction and development in South Africa.

## **M. Latin America**

The Council adopted conclusions on general guidelines for cooperation between the Union and Latin America for 1996–2000 and the Madrid European Council called for swift implementation of these. The political objectives of such future cooperation relate to institutional

support and consolidation of democratic processes, with the involvement of civil society and in a context of open regionalism.

With a view to redirecting its institutionalised dialogue with all countries in the region, particularly in order to make allowance for the general spread of democratic processes, the Union carried on its cooperation with member countries of the San José Group (11th Ministerial Conference, in Panama City on 23 February) and the Rio Group (fifth Ministerial Conference, in Paris on 17 March).

Bilaterally, the Union both continued to strengthen ties with some countries (Mexico and Chile) and with a regional organisation (Mercosur) and decided to engage in dialogue with Cuba.

The Union and Mexico accordingly signed a joint solemn declaration on objectives shared by both sides, on the content of a new cooperation agreement and on preparations for negotiations on it. The Union and Chile also signed a joint declaration on political dialogue, designed to supplement a new agreement providing for increased cooperation and eventually the establishment of a political and economic association.

In accordance with the guidance given by the European Council in Essen, an interregional framework cooperation agreement with Mercosur was signed on the occasion of the European Council meeting in Madrid, with the intention of strengthening existing ties between the two sides and preparing for an eventual association between them and with the inclusion for that purpose of a joint declaration on political dialogue.

Lastly, the Council confirmed the Union's desire to step up its relations with Cuba. On the basis of a report from the troika, in Madrid the European Council deemed it appropriate to carry on a dialogue and cooperation with Cuba with the aim of actively supporting the reform process under way, encouraging respect for human

rights and basic freedoms and broadening the scope for private enterprise and the development of civil society. It accordingly asked the Commission to submit draft negotiating directives for a trade and economic cooperation agreement in the first half of 1996, which the Council would consider in the light of developments in the political and economic situation in Cuba.

## **N. Asia**

Against the background of the strategic approach established by the European Council in Essen for a higher-profile policy towards the Asia-Pacific region, ASEAN's proposal for the holding of a Euro-Asian Conference in Bangkok on 1 and 2 March 1996, to bring together for the first time Heads of State or Government from the Union, the ASEAN countries, China, Japan and the Republic of Korea, met with a favourable response from the Union in the interests of consolidating a new partnership with eastern Asia, based on expanded economic relations and greater political dialogue.

The Union's participation in the ASEAN Regional Forum, followed by the ASEAN post-Ministerial Conference with the troika present, also enabled the Union to make a greater contribution to dialogue on political cooperation and security problems in the Asia-Pacific region.

In bilateral relations with Asian countries, new cooperation agreements were signed with Vietnam and Nepal in order to establish closer links with those countries and step up cooperation between both sides. The cooperation agreement with Sri Lanka came into force on 1 April 1995.

The Union lent fresh impetus to the links built up with China through the adoption by the Council of conclusions on a long-term policy for relations between China and Europe. At the same time, alongside other official bilateral talks, the Union entered into an institutionalised dialogue with China on human rights, which it carried on in particular at the troika-China min-

isterial meeting in the wings of the United Nations General Assembly.

As part of an overall strategy for relations with Japan, the Council also adopted conclusions on the next stages in bilateral relations. In those conclusions, it welcomed the willingness shown by Japan to play a political role more in keeping with its economic weight and came out in favour in particular of greater political dialogue and improved market access, with the development of bilateral and multilateral negotiations on specific topics.

With regard to the Republic of Korea, alongside the opening of negotiations for a framework trade and cooperation agreement, a joint declaration on political dialogue was drawn up.

Both internationally and bilaterally, the Union kept up its support for the liberalisation and democratisation efforts under way. As regards Sri Lanka, the Union accordingly called on a number of occasions for a peaceful solution to the internal troubles.

As regards East Timor, the Madrid European Council pledged its support for any appropriate action which could contribute to a just, overall and internationally acceptable solution to this issue and particularly for the mediation efforts being made by the United Nations Secretary-General.

## **O. Common trade policy**

In the course of an assessment of preference agreements, given that the European Union has concluded and is currently negotiating a number of free-trade agreements and bearing in mind obligations regarding free-trade areas under the WTO system, the Council approved conclusions maintaining that in future, before any steps by the Union to establish a free-trade area, the Commission should look into the compatibility of the prospective agreement with WTO rules and the implications of such an agreement for the Union's

common policies and for its relations with its main trading partners. The Council also took the view that the Commission should ensure that steps by the Community's main trading partners to create free-trade areas did not harm the European Union's economic and commercial interests and were consistent with WTO rules.

As regards trade policy for textiles, throughout 1995 the Council took a series of decisions, many of them to amend, renew or extend agreements with non-member countries.

#### *World Trade Organisation (WTO)*

In Cannes, the European Council reiterated its keen support for the WTO, set up on 1 January 1995, as the appropriate forum to enforce multilateral rules, openly and without discrimination, and to settle trade disputes between WTO members. In 1995 that support for the WTO was reflected in active, at times even decisive, participation in WTO proceedings directed along four lines: implementation of the commitments entered into under the Marrakesh agreements; continuation of uncompleted negotiations in some areas, including services; membership of the WTO for non-member countries; consideration of new topics in the run-up to the WTO Ministerial Conference due to be held in Singapore in December 1996. The Union also welcomed its success in having Mr Ruggiero appointed as the WTO's new Director-General.

Some negotiations under the Uruguay Round remained incomplete, particularly in areas such as financial services, shipping, basic telecommunications and movement of natural persons. Negotiators bent their efforts first and foremost to financial services and movement of natural persons, in view of the timing established for those two areas. The Community and its Member States played an active part in all such negotiations in 1995 and, while regretting the fact that

for the time being the US was standing aside from the non-discriminatory multilateral effort to liberalise trade in financial services as extensively as possible, they continued to act as a driving force for the successful completion of the negotiations on movement of persons and on financial services.

The Union's enlargement set in motion a review procedure at the WTO to assess the trade implications of that enlargement for other WTO member countries and determine any quid pro quo in order to restore the balance of rights and obligations. The Council agreed to the conclusion of the negotiations conducted in 1995 with various non-member countries, including its main partners.

#### **P. OECD**

Meeting at ministerial level on 24 May 1995, the OECD Council decided to open negotiations at the OECD with the aim of arriving at a multilateral investment agreement by the time of the organisation's ministerial meeting in 1997. The Council of the European Union and representatives of Member States' governments, meeting within it, established a number of guidelines to form a common platform for the stance to be taken by the Community and by Member States in those OECD negotiations.

#### **Q. Financial assistance to third countries**

In 1995 the Council decided on two macrofinancial assistance operations to support economic recovery efforts by Belarus and Ukraine and on one guarantee operation for EIB lending in South Africa. As part of a general appraisal of financing prospects in third countries over the next few years, the Council asked the EIB and the Commission to look into a new system for the terms of the Community guarantee covering EIB lending in non-member countries.

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## INTRODUCTION

In 1996 the European Union continued its development with the twofold aim of resolving the many problems it has to confront and changing its foundations in order to adapt the European construction to the new challenges. In the course of the year, an examination was begun of how to revise the Treaties with the aim of creating an even closer Union between the peoples of Europe. New decisions were taken on preparation for the transition to economic and monetary union; strategic guidelines were adopted on employment, growth and competitiveness; several Community policies received a new impetus; and action was also begun on a number of questions relating to justice and home affairs and the common foreign and security policy.

From 29 March 1996 onwards, the Intergovernmental Conference has been providing the opportunity to face up more effectively to both the internal and external challenges of the years to come, including future enlargement, which is an historic task and a great opportunity for Europe. During an initial phase, the work of the conference made it possible to identify the main issues on the basis of the guidelines issued by the Turin European Council. Subsequently, the conference concentrated on seeking balanced solutions to the essential political questions raised. In Dublin, the European Council welcomed the general outline for a draft revision of the Treaties submitted by the Irish Presidency and felt that this outline was a sound basis for the final phase of the Intergovernmental Conference due to conclude in Amsterdam in June 1997.

Further decisive progress was made in preparation for economic and monetary union (EMU), which will begin on 1 January 1999. The structure of the new exchange mechanism and the

principles and main features of the Stability and Growth Pact designed to ensure budgetary discipline within the EMU were approved and the finishing touches were made to the legal framework necessary for use of the euro with a view to adoption in the near future. The European Council took note of the progress made by the Member States as regards convergence and of the efforts made to correct continuing public deficits.

The level of unemployment remains unacceptable. Although the battle for jobs is principally the responsibility of the Member States, it remains the most important of the Union's priorities. On several occasions throughout the year, the European Council reaffirmed the degree of priority it attaches to job creation and invited all those concerned at European, national and local level, including both sides of industry, to continue to support the strategy defined in Essen.

The European Council again stressed the essential contribution made by the internal market to promoting growth and employment in the Union. It pointed out that the trans-European networks, the development of SMEs and scientific and technical research could make a vital contribution to job creation and competitiveness and underlined the potential of the information society for education and training, for the organisation of work and for employment creation.

In 1996 considerable progress was made in a number of areas, such as culture and audiovisual matters, education and training, health, social policy and the environment. The year was marked by a very important stage in the establishment of the internal energy market with the



adoption, after several years of discussions, of the directive concerning common rules for the internal market in electricity and the adoption of conclusions on common rules for the internal market in natural gas. Intensive efforts were made to apply the measures needed for establishing the internal market in postal services, which is of considerable importance in economic and social terms. In addition, tangible progress was made in the field of telecommunications with a view to the forthcoming liberalisation of markets.

The European Union reaffirmed its commitment to maintain and develop the European Union as an area of freedom, security and justice by putting to full use all of the instruments provided for in the Treaty on European Union. Thus, the European Union stressed the vital importance of reinforced cooperation between Member States to fight against drugs, organised crime and terrorism and reaffirmed the Union's determination to combat racism and xenophobia with the utmost resolve. A common approach was adopted to the sexual exploitation of children and trafficking in human beings with the aim of improving judicial cooperation and strengthening police cooperation.

The European Council settled the last outstanding question relating to the creation of Europol by authorising the Court of Justice of the European Communities to give preliminary rulings on the interpretation of the Europol Convention and invited the Member States to ratify the convention and the protocol.

Still in 1996, the European Union gave pride of place to respect for democratic principles and human rights, adopting many initiatives both on behalf of EU citizens and in the area of external relations.

In 1996 the political dialogue was stepped up and expanded with the aim of explaining the European Union's objectives to third countries and allowing them to share in these objectives.

The inclusion of a political section in a growing number of agreements concluded or being negotiated with countries or groups of countries made political dialogue one of the main instruments for implementing the guidelines and strategies drawn up as part of the Union's external policy.

The security dimension is becoming increasingly important in the European Union's CFSP initiatives. There is therefore an increasing emphasis on security issues in its dialogue with its partners. The European Council welcomed the impulse given recently to EU-WEU relations which must be further developed, as well as the decisions taken by the North Atlantic Council in Berlin on developing the European security and defence identity.

The European Union continued to emphasise the value it places on relations with the associated countries of central and eastern Europe (CCEE), stressing the importance of the strategy for preparing for accession, which now incorporates Slovenia.

The European Council welcomed the various regional cooperation initiatives under way in Europe, particularly those designed to increase cooperation in south-eastern Europe. It also reiterated the importance of the effective implementation of the Union's strategy towards the Baltic Sea region, among other things in relation to the need to further develop the Union's relations with Russia.

Notwithstanding the positive developments and the achievements in the relationship between the two sides of the Atlantic, the European Council expressed its deep concern over the extra-territorial effects of the Cuban Liberty and Democratic Solidarity (Libertad) Act adopted by the United States and similar legislation regarding Iran and Libya. In this respect, it asserted its right and intention to react in defence of the European Union's interest with respect to this legislation and any other secondary boycott legislation having extra-territorial effects.

The European Council, underscoring the great importance it attached to the Mediterranean dimension of the European Union, expressed satisfaction with the significant and balanced progress made in the first half of 1996 in implementing the declaration on the Euro-Mediterranean partnership and the work programme through a wide range of meetings at all levels.

The Middle East peace process was one of the main concerns of the Union's external action. It launched an appeal to the countries that had not yet decided to support the peace process to do so without delay. The Union showed its willingness to make an even more active contribution by appointing a Special Envoy.

The European Council remains concerned about the violence which continues to mark the Great Lakes region. The European Union gave its full support to the peace efforts of the United Nations and the Organisation of African Unity as

well as regional leaders and other concerned personalities and, to this end, it appointed a Special Envoy for the Great Lakes region.

The first Europe-Asia meeting was held in Bangkok on 1 and 2 March 1996 marking an historic turning point in relations between the two continents. Relations with Latin America and the Caribbean also developed significantly in 1996.

The first regular biannual WTO Ministerial Conference was held in Singapore from 9 to 13 December 1996 and there the European Union once again demonstrated the importance it attaches to the multilateral trading system and the efficient operation of the WTO. The European Council expressed its satisfaction at the renewed impetus which the WTO Ministerial Conference in Singapore had given to the liberalisation of world trade. It particularly welcomed the broadening of the WTO work programme to encompass issues which the European Union had identified as priorities.



## I. INTERGOVERNMENTAL CONFERENCE

The scope of the conference's work has been set out by successive meetings of the European Council, the aim being to provide the Union with the means to respond adequately, now and in the years ahead, to the challenges which confront it at the threshold of the 21st century: rapidly evolving international developments and the prospect of enlargement, globalisation of the world economy and its impact on employment, competitiveness and job creation; terrorism, drug trafficking and international crime, migratory pressure, and ecological imbalances. Future enlargement of the Union affords both a unique opportunity and an important challenge.

The conference formally began its work on the occasion of the European Council meeting in Turin on 29 March 1996.

In accordance with the conclusions of the European Council meeting in Turin, the European Parliament is closely associated with the proceedings of the conference to which it makes an essential, ongoing contribution. All meetings of the Intergovernmental Conference have been preceded by an exchange of views with the President of the European Parliament. The two representatives designated by the Parliament have had a meeting every month with members of the group of ministers' representatives responsible for preparations for the conference.

The Italian Presidency addressed the task of examining the issues and exploring delegations' positions and priorities. It reported on the outcome of its work to the Florence European Council in June. At Florence, the European Council indicated that it expected its meeting in Dublin in December to mark decisive progress towards completing the Intergovernmental Conference

by the middle of 1997. To that end, it requested the Presidency to prepare 'a general outline for a draft revision of the Treaties'.

The Irish Presidency organised the work of the conference with a view to fulfilling that mandate. The conference has met at foreign minister level on a monthly basis and the ministers' work has been prepared by the group of representatives, which has met weekly.

The special meeting of the European Council in Dublin on 5 October provided an important impetus for the work of the conference. The Heads of State or Government confirmed on that occasion that the conference should conclude as agreed in June 1997. They also reaffirmed that the conference should maintain a high level of ambition in order to equip the Union to address more effectively the concerns of its citizens and to play a role in international relations commensurate with its potential and responsibilities. An adaptation of the Union's institutions and the way they function must play a central role in that regard, particularly with a view to enlargement.

The European Council in Dublin on 13 and 14 December 1996 reaffirmed the importance of completing the conference at Amsterdam in June 1997 and welcomed the general outline for a draft revision of the Treaties submitted by the Irish Presidency which turns the outcome of proceedings to date, in most cases, into draft Treaty articles and also contains a clear explanation of the proposed amendments. The European Council considered the document a good basis for the work which lies ahead in order to achieve a balanced outcome in all areas, an outcome which will measure up to the aims and ambitions which the European Council has set for the conference.

## II. FUNCTIONING OF THE INSTITUTIONS AND FINANCING OF THE UNION

### **A. Functioning of the institutions**

#### **(i) Interinstitutional relations**

In 1996 relations between the Council, the Parliament and the Commission developed on a regular basis in a constructive spirit, both in political dialogue in general and in actual legislative activity.

The political dialogue between the Council and the Parliament was particularly intense throughout 1996. In the first instance, it took the usual form of regular provision of information to the Parliament by the Presidency with regard to the Council's intentions, its daily activity and the outcome of its action. The Italian and Irish Presidencies thus addressed a plenary session of the Parliament to present their programme and later the outcome of their six months' activity and particularly the results of the European Council meetings.

Both Presidencies also took part in the major debates in plenary session on justice and home affairs, the single currency, employment and growth, the situation in the Middle East, agricultural prices for the 1996/97 marketing year, former Yugoslavia, the Union's common foreign and security policy, the organisation of working time and children who are victims of violence. The Council also took part in the second annual debate on the state of the Union.

Through its replies to the increasing number of oral questions from the European Parliament, the Presidency has kept the Parliament constantly informed of the Council's views on areas of Union activity. In addition, the Council answered 355 written questions in 1996. During the same period, the European Parliament put 3 772 written questions to the Commission.

The Council Presidents' participation in the proceedings of parliamentary committees proved particularly useful as a means of providing full and detailed information on current proceedings in the Council and of hearing the views of the European Parliament.

The Parliament, the Council and the Commission have made extensive use of the informal dialogue on the occasion of plenary sessions of the Parliament on issues of common interest, such as the political situation in former Yugoslavia, elections in Palestine, the Parliament's powers in relation to the implementation of Article 109j(2) and (3) of the EC Treaty concerning the adoption of a single currency and the transition to the third stage of EMU, the review of the financial perspective for 1994-98 and providing information for Parliament on the statements entered in the Council minutes when a common position is adopted under the co-decision and cooperation procedures.

At the European Council meetings in Turin, Florence and Dublin, in accordance with what has now become normal practice, the President of the European Parliament engaged in direct dialogue with the Heads of State or Government, thus enabling the various parties involved in constructing Europe to exchange views at the highest political level.

Pursuant to Article 138c of the EC Treaty and the detailed arrangements agreed between the three institutions in April 1995, the European Parliament set up two temporary committees of inquiry, one into the Community transit system and one into bovine spongiform encephalopathy (BSE). Both committees carried out their activities in 1996 and the Council and the Commission cooperated with them, particularly by providing the information requested.

The representatives of the governments of the Member States replaced one judge at the Court of Justice and one member of the Court of First Instance.

The two-yearly renewal of the chairman and officers of the Economic and Social Committee took place and the plenary session of the Committee of the Regions elected its chairman — for the second part of his four-year term — its first vice-chairman and its officers. In accordance with normal practice, the Presidencies of the Council also presented their work programme to the Economic and Social Committee and to the Committee of the Regions.

The European Ombudsman, who has been in office since September 1995, carried out his duties in 1996 in relation to instances of maladministration in the activities of the Community institutions or bodies.

## **(ii) Legislative process**

When examining Commission proposals, the Council took particular account of the principles of subsidiarity and proportionality.

The cooperation procedure introduced by the Single European Act and more especially the co-decision procedure put in place by the Treaty on European Union have brought the Parliament very much into the Community legislative process.

In 1996 the Council communicated 37 common positions to the Parliament under the cooperation procedure provided for in Article 189c of the EC Treaty. In more than 20 cases, the cooperation procedure resulted in the adoption of a legal instrument during 1996.

The co-decision procedure, provided for in Article 189b of the EC Treaty, yielded satisfactory results in 1996. All the conciliation processes were successful, even if the procedure sometimes proved rather laborious. Fourteen acts were adopted without amendment by the European Parliament at second reading, eight acts were adopted with all the European Parliament's

amendments and 10 conciliation procedures took place after the second reading by the European Parliament. In addition, in 17 co-decision procedures, the Council has already established a common position, while there are 41 co-decision procedures in which a common position has not yet been established and 26 procedures are before the European Parliament for a first reading.

The Council held 188 simple consultations of the European Parliament and requested 10 assents under the second subparagraph of Article 228(3) of the EC Treaty. For 25 of the consultations, the Council requested the urgent procedure under Rule 97 of Parliament's rules of procedure, and the request was granted in 14 instances.

The conciliation procedure was applied to the implementation of a special financial cooperation measure for Turkey, to the arrangements for making own resources available to the Community by Member States and to control provisions.

The Economic and Social Committee was consulted by the Council on 109 Commission proposals and also delivered a large number of own-initiative opinions.

The Committee of the Regions was consulted by the Council on 10 occasions and prepared opinions in 1996 on the regional impact of various policies and actions.

## **(iii) Transparency**

During 1996, measures to increase transparency continued to be applied in the working procedures and methods of the institutions. The Council thus adopted 229 legislative acts within the meaning of the annex to its rules of procedure in 1996. These acts prompted 398 statements in the Council minutes which were released to the public in accordance with the code of conduct of 2 October 1995 on public access to the minutes and statements in the minutes of the Council acting as legislator.

In the context of the procedure for public access to Council documents, there was a clear growth

in the number of applications for documents by comparison with previous years and a significant increase in the number of successful applications (58.7 % for the period 1994-95). The percentage of documents supplied at first instance by the General Secretariat was 70.5, and 67 additional documents were supplied by the Council as a result of 24 confirmatory applications made by some applicants. In total, therefore, 78 % of applications were successful.

On the basis of a report from the Secretary-General, the Council also amended the decision on public access to Council documents in the light of experience.

As to open debates, in addition to policy debates on the Presidencies' six-monthly work programmes, a total of 14 issues of Community interest were the subject of Council discussions relayed to the public in 1996.

#### **(iv) Information policy**

The task of public relations at Community level is to keep the population of the European Union Member States as well as the public in other European countries and outside Europe constantly informed of developments in the process of European integration, and thereby to increase its acceptance.

In 1996 the Member States continued to cooperate closely within the Working Party on Information in order to further develop a joint information policy. *Inter alia*, the joint European programme known as 'Contact magazine' was produced and distributed to television channels throughout the world.

### **B. Relations with the Council of Europe**

The year 1996 was marked by two initiatives designed to intensify cooperation with the Council of Europe: the conclusion of an exchange of letters between the Commission and the Council of Europe, which supplements the 1987 arrange-

ment on cooperation between the European Community and the Council of Europe, and the adoption by the Council and the Commission of common conclusions on detailed arrangements for cooperation between the European Union and the Council of Europe.

Cooperation with the Council of Europe in sectors concerning its activities will embrace all the areas covered by the Treaties, including Titles V and VI of the Treaty on European Union, particular attention being given to the fields of education and culture and to any other field that may from time to time be identified by common agreement.

At political level, the eighth quadripartite meeting took place between the Council and Commission, on the one hand, and the Chairman of the Committee of Ministers and the Secretary-General of the Council of Europe, on the other, with a view to strengthening cooperation with the Council of Europe.

### **C. Financing the Union**

#### **(i) Budgetary procedures**

The budget for 1997 takes account of the principles of rigour and budgetary discipline also applicable to Member States at national level in order to curtail public expenditure with the aim of a zero-growth budget. By comparison with 1996, the 1997 budget therefore evidences a slowing in the growth of Community expenditure which could have been limited even further had there not been the added costs arising out of the crisis in the beef and veal sector.

At the end of the budgetary procedure, the budget adopted for 1997 provides for an overall amount of ECU 89 137 million in commitment appropriations (c/a) and ECU 82 365.6 million in payment appropriations (p/a). The increase in non-compulsory expenditure (NCE) stands at 7.43 % in c/a and 2.43 % in p/a. Budget revenue was established taking into account the entry into force of the new decision on own resources.

The budget for 1997 includes allocations for action likely to stimulate economic growth and employment, such as research and development projects, increased amounts for the trans-European networks bearing in mind the priority accorded to those networks, the continuation of projects in the sectors of education, information, promotion of SMEs and youth, integration of equal opportunities for men and women into all Community policies and furtherance of 'greening' policy, financing additional costs relating to measures to combat bovine spongiform encephalopathy (BSE), reforms in some agricultural sectors, the reallocation of expenditure left over from 1995 under structural actions and the continuation of external action with priority for development and cooperation with Mediterranean third countries and with central and east European countries.

Under the budgetary procedure for 1997, the Council approved the text of a joint statement on improving the provision of information to the budget authority on fisheries agreements which was the subject of an agreement between the Parliament, the Council and the Commission. The statement provides *inter alia* that during the ad hoc conciliation procedure the European Parliament and the Council will seek to agree on the amount to be entered in the headings relating to fisheries agreements on the basis of the proposals made by the Commission and that if appropriations relating to fisheries agreements prove insufficient, the Commission will provide the budget authority with the necessary information for an exchange of views, in the form of a dialogue, possibly simplified, on the causes of the situation, and on the measures which might be adopted under the established procedures.

The Council adopted a supplementary and amending budget for the financial year 1996 (SAB No 1) on the basis of the Commission preliminary draft and the European Parliament amendments.

The Council also adopted the recommendation to the European Parliament on the discharge to be given to the Commission in respect of the implementation of the general budget of the European Communities for the financial year 1994, examined the special reports from the Court of Auditors and made a statement relating to the statement of assurance (DAS).

#### **(ii) Financial management**

Following examination by the Council of the Commission's 1996 work programme for the fight against fraud against the Community budget, the Council adopted a series of conclusions supporting the general guidelines for the specific measures envisaged by the Commission.

The Council adopted the regulation concerning on-the-spot checks and inspections carried out by the Commission in order to protect the European Communities' financial interests against fraud and other irregularities. This regulation lays down the additional general provisions provided for in the 1995 regulation on the protection of the European Communities' financial interests.

The Council approved the conclusions on the report of the Personal Representatives Group on sound financial management prepared under the SEM 2000 initiative by the Personal Representatives Group under the chairmanship of Ms Gradin and Mr Liikanen, Members of the Commission.

In accordance with the provisions of the inter-institutional agreement, the Council, following a proposal from the Commission, took a decision on the technical adjustments and on the adjustments connected with the conditions for implementing the table of the financial perspective.

The Council continued its work on the adjustments to be made to the financial regulation to take account of the entry into force of the provisions on the clearance of EAGGF-Guarantee accounts.



### III. INTERNAL POLICIES

#### **A. General economic situation and convergence**

A year marked by very moderate growth, 1996 was the third consecutive year to show an upturn in economic activity since the recession in 1992 and 1993. The increase in the Community's GDP in 1996 was estimated at some 1.6 %, slightly below the level in the previous year. The employment situation remained practically unchanged by comparison with the previous year, with unemployment standing at 10.9 %.

The increasing convergence towards stability of prices recorded in 1994 and 1995 continued in 1996. The inflation rate in the Community is in the region of 2.6 %. Likewise, interest rates have shown a downward trend.

Budgetary measures taken in Member States have enabled the reduction of public deficits initiated in 1994 and 1995 to be continued. Nonetheless, the adjustment is still not adequately reflected in the public debt. The ratio between public debt and GDP continued to increase and reached almost 73.5 % in 1996.

Exchange rates within the European Monetary System (EMS) exchange mechanism stabilised in 1996. The Finnish marka joined the mechanism in October 1996 and the Italian lira in November. The currencies of 12 Member States henceforth belong to the exchange-rate mechanism.

#### **(i) Economic policy**

The Council continued to monitor economic developments in the Community in 1996 and to formulate policies with the twin aims of job-

creating growth and the achievement of economic and monetary union (EMU).

In accordance with Article 103(2) of the EC Treaty, the Council adopted the recommendation on the broad guidelines of the economic policies of the Member States and of the Community. It stressed the need to continue the current agreed macroeconomic policy strategy on price and exchange-rate stability and sound public finances. It explained the partial absence of satisfactory results in terms of growth by the fact that that strategy had not been implemented with sufficient rigour and credibility in most Member States, particularly in relation to consolidating public finances.

The Council also stressed the importance of appropriate initiatives in both the goods and services markets and in the area of labour market reform in order to improve market operation, increase competition and make the price formation mechanism more flexible in particular. As for the labour market, the Council stressed the need for vocational and geographical mobility, the adjustment of education systems and a reduction in indirect labour costs.

The year 1996 was the third in which the procedure for excessive government deficits provided for in Article 104c of the EC Treaty was applied; the Council established that an excessive government deficit existed in Germany and at the same time repealed the decision taken the previous year establishing the existence of an excessive deficit in Denmark, which had since reduced its public deficit to a level well below the critical threshold of 3 % of GDP and had succeeded in significantly reducing

the ratio of gross debt over two consecutive years.

Subsequently, the Council, acting on a Commission recommendation, adopted recommendations with a view to terminating the excessive public deficit situation in 12 Member States: Belgium, Germany, Greece, Spain, France, Italy, the Netherlands, Austria, Portugal, Finland, Sweden and the United Kingdom. These recommendations point to measures for attaining budgetary rationalisation.

In 1996 the Council examined a convergence programme presented by Austria within the framework of multilateral surveillance of Member States' economies.

#### **(ii) Preparation for the third stage of economic and monetary union**

In accordance with Article 109j of the Treaty, the Council had to assess in 1996 whether a majority of Member States fulfilled the conditions for the adoption of a single currency. On the basis of the proceedings of the European Monetary Institute and the institutions taking part in the procedure (Commission, European Parliament and Council), the Council, meeting at Heads of State or Government level in December 1996, noted that a majority of Member States did not fulfil the conditions and decided that the Community would not enter the third stage of EMU in 1997.

The European Council in Florence in June 1996 confirmed that the third stage of EMU would begin on 1 January 1999.

The principles and main elements of the Stability and Growth Pact were approved by the European Council in Dublin on the basis of a report from the Council aimed at ensuring sound public finances in the third stage of EMU. It set out rules on the strengthening of surveillance of budgetary discipline and on speeding up and clarifying the excessive deficit procedure provided for in Article 104c of the EC Treaty.

Member States taking part in the euro zone will be liable to financial sanctions if they do not react effectively in the event of an excessive deficit in their public finances.

The European Council meeting in Dublin underlined the need to ensure durable budget discipline in the third stage of EMU and welcomed the agreement reached on the Stability and Growth Pact. It requested the Ecofin Council to examine intensively the Commission proposals for two regulations, one on the strengthening of the surveillance and coordination of public finances and the other on speeding up and clarifying the implementation of the excessive deficit procedure. Furthermore, the European Council invited the Ecofin Council to prepare a draft resolution on the Stability and Growth Pact to be adopted by the European Council in June 1997, recording the commitments of the Member States, the Commission and the Council to a strict application of the Treaty and the legal provisions on budgetary stability. After the European Council has adopted the resolution, the Council will adopt the respective regulations.

With regard to relations between Member States participating in the euro area and non-participating Member States, the European Council meeting in Dublin, on the basis of reports from the European Monetary Institute and the Council, stated that all the Member States of the Union will take part in the dialogue on all issues raised by the transition to the third stage of EMU, that a stable economic environment to ensure proper functioning of the single market is in the interests of all Member States and that participation in a new exchange-rate mechanism should be optional, although Member States with a derogation could be expected to join that mechanism.

As to the architecture of this exchange-rate mechanism, the European Council meeting in Dublin confirmed that the system would be based on central rates, defined vis-à-vis the euro, that the standard fluctuation band would be relatively wide, like the present one, and that

intervention at the margins would in principle be automatic and unlimited. The European Central Bank and the central banks of the other participants could, however, suspend intervention if this were to conflict with the primary objective of maintaining price stability.

The new exchange-rate mechanism will be set up by a resolution of the European Council and agreement between the central banks.

The Council reached agreement on the legal framework for the euro, comprising a regulation on the replacement of the ecu by the euro at a rate of one to one at the start of the third stage, the continuity of contracts when the euro is introduced and technical rules for conversion rates between national monetary units and the euro, including rounding-off, a regulation providing that the currency of the participating Member States will be the euro and making provision for the use of the euro during the transitional period following the principle of 'no prohibition, no compulsion', and for the introduction of euro notes and coins. The first regulation should be formally adopted in the near future, in order to reassure users, whereas the second regulation cannot be formally adopted by the Council, acting with the unanimity of the Member States, without a derogation, until 1998 after a decision by the Member States participating in the euro (see Article 109I(4) of the EC Treaty).

## **B. Employment**

Employment remained a priority of major political importance for the Community and its Member States throughout 1996.

The European Council meeting in Florence reviewed progress achieved on the basis of a joint interim report from the Council and the Commission.

The European Council meeting in Dublin examined progress in implementing the growth and employment strategy on the basis of a joint

report from the Council and the Commission on employment, a first report from the Commission on the initiative 'Action on employment: a confidence pact', a joint contribution by the social partners on the confidence pact and the proposals contained in President Chirac's memorandum on a European social model, which was submitted at the meeting in Turin.

In order to emphasise its commitment to that strategy, the European Council adopted the 'Dublin declaration on employment', which recommends measures stressing the need to enhance labour market efficiency and investment in human resources, giving particular support to vulnerable groups (women, unemployed youth, the long-term unemployed); make taxation and social protection systems more employment-friendly; intensify efforts to modernise markets for goods and services and exploit new sources of employment; and advance European competitiveness and promote local development.

The Council decided to set up an employment and labour market committee with a mandate to help it accomplish its task in the employment sphere.

## **C. Internal market**

As in previous years, the activities in this field were particularly directed towards strengthening the internal market and improving its functioning.

In the case of free movement of persons, the Council carried out an examination — on the basis of amended proposals drawn up in the light of the European Parliament's opinion — of a package of three proposals from the Commission designed to abolish frontier controls on travellers within the Union.

In the field of intellectual property, two important measures were adopted during 1996, concerning harmonised provisions for the legal protection of databases and the creation of a

supplementary protection certificate for plant-protection products.

The Council also made substantive progress on the directive providing for the legal protection of industrial designs and models, by harmonising national registration procedures.

Furthermore, a coordination of the positions of Member States and of the Commission was ensured in preparation for and throughout the Diplomatic Conference on certain copyright and neighbouring rights questions (Geneva, 2 to 20 December 1996), which adopted and opened for signature the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty.

In the field of company law, another major area in which legislation is still outstanding, the Commission established a high-level group, under the chairmanship of Viscount Davignon, with a mandate to assist it in finding a solution to the problem of employee involvement in corporate decision-taking, which has been primarily responsible for blocking progress on the adoption of the statute for a European company and other corporate bodies at European level.

Other noteworthy legislative measures adopted during 1996 related to frontal and lateral impact of motor vehicles in collision, pollution levels of motor vehicles, and the customs union (the 'Customs 2000' programme and the customs code).

The Council adopted common positions on Commission proposals relating to pressure equipment, masses and dimensions of motor vehicles and dangerous substances.

The Council continued to monitor closely the process of transposition of internal market legislation into national law, noting that there remained some significant gaps and that the quality of the legislation still required particular attention.

On the basis of a detailed report from the Commission containing an initial analysis of the impact and effectiveness of the internal market, the Council noted that the economic and social benefits of the programme were beginning to make themselves felt and made a renewed commitment to the achievement of the internal market and to continued vigilance against trade barriers.

In the field of administrative cooperation, the Council adopted a resolution on cooperation between administrations for the enforcement of internal market law, covering *inter alia* the creation of a network of contact points for businesses and individuals, with links to competent bodies appointed by the Member States.

Concerning legislative simplification, the Council welcomed the results of a pilot project undertaken by the Commission to explore ways of lessening the constraints imposed by the rules of the single market on undertakings in certain sectors and invited the Commission to bring forward proposals to adjust the legislation concerned and to extend the project to other fields of internal market legislation.

The Council lent its full support to the Commission's initiative 'Citizens first', which is designed to enable citizens to understand and exercise their rights in the single market.

Concerning the international aspects, 1996 saw the results of three years of negotiations in the customs field brought to fruition. Following the mandate given by the Council in April 1993, customs cooperation agreements were concluded between the Community and Korea and between the Community and the United States of America.

On 13 December 1996, an agreement was signed between the Community and the United Mexican States on the control of precursor chemicals frequently diverted for the illicit manufacture of narcotic drugs and psychotropic substances.

The European Community concluded negotiations with Australia and New Zealand for mutual recognition agreements in relation to conformity assessment.

In the case of Australia, the two parties initialled the text of a draft agreement, the procedures for the designation and monitoring of conformity assessment bodies, and four joint declarations. In addition, the representatives initialled eight sectoral annexes which will provide the implementing arrangements for the agreement.

In the case of New Zealand, the text of the draft agreement was initialled but it was agreed that the seven sectoral annexes would be initialled later pending the completion of certain internal procedures in New Zealand.

The Council held a meeting with the ministers from the 10 associated countries of central and eastern Europe, within the framework of the structured dialogue with these countries during their pre-accession period. The two main themes of that meeting were progress and impact of implementation of the White Paper recommendations and administrative cooperation.

#### **(i) Tax harmonisation**

Here the Council initiated a general discussion on the problems arising in connection with taxation with a view to arriving at an overall approach. It was felt that in the past discussions had too often been confined to proposals considered in isolation, thus making it impossible to carry out a proper examination of more general tax problems or of the question of slotting tax policy into the broader context of Community policies.

In June the European Council meeting in Florence recognised the advantages of an overall approach to tax-related matters and instructed the Council to submit to it, before the European Council meeting in Dublin, a report on the development of tax systems within the Union, taking account of the need to create a tax

environment that stimulates enterprise and the creation of jobs and to promote a more efficient environmental policy.

A report was submitted to the European Council in Dublin, underlining among other things the need for further work on this issue, including the question of tax competition, particularly with regard to the proper functioning of the single market.

In connection with the proper functioning of the single market and more specifically the issue of VAT, the Council took due note of the Commission communication entitled 'A common system of VAT — a programme for the single market', which sets out the broad lines of the future definitive VAT system. The Council also adopted directives on the taxation of agricultural products and on the standard rate of VAT.

The Council adopted two decisions on the basis of the procedure in Articles 27 and 30 of the sixth VAT directive, authorising two Member States to take two measures to simplify collection of the tax.

The Council also adopted the directive extending the period of validity of the specific travellers' allowance arrangements granted to Denmark, Finland and Sweden whereby those three Member States are authorised to maintain quantitative restrictions on certain alcoholic drinks and tobacco products purchased in other Member States and brought into their territory by private individuals for their own use.

In relation to excise, the Council adopted two decisions on harmonising excise duty structures for mineral oils.

#### **(ii) Financial area**

In 1996 the Council continued its proceedings on completing and updating the legislation which forms the basis for the internal market in the banking and stock exchange sector.

In response to requests from some Member States, and on a proposal from the Commission, the Council adopted a directive updating the list of establishments excluded from the scope of the banking directives.

The Parliament and the Council adopted a directive amending recognition of contractual netting by the competent authorities to take account of the risk-reducing effects of contractual netting. They also adopted a directive on cross-border credit transfers containing provisions on information for customers wishing to make a transfer, the obligations of the credit institutions concerned and redress procedures.

The Council adopted a common position with a view to adopting a directive amending the arrangements for the capital adequacy of investment firms and credit institutions and for investment services in the securities field.

Within the framework of the co-decision procedure with the European Parliament, the Council continued its proceedings on a common position with a view to adopting a directive on investor compensation schemes.

The Council also examined proposals on the re-organisation and winding-up of credit institutions, on amending the solvency ratio system for credit institutions, on updating certain provisions in three banking directives, and on settlement finality and collateral security.

### **(iii) Food sector**

In a desire to contribute to public health and the proper functioning of the internal market, the Council continued the harmonisation of legislation on substances used in the production of foodstuffs, on specific foodstuffs and on horizontal provisions.

In the case of legislation on substances, the Council adopted directives on food additives other than colours and sweeteners and on

sweeteners for use in foodstuffs, a regulation laying down a Community procedure for flavouring substances used or intended for use in or on foodstuffs and a decision on the maintenance of national laws prohibiting the use of certain additives in the production of certain specific foodstuffs.

The Council also reached agreement on the proposal for a directive on the approximation of the laws of the Member States on extraction solvents used in the production of foodstuffs and food ingredients. It began examination of a new proposal to adjust the directive on food additives other than colours and sweeteners to technical progress.

With regard to specific foodstuffs, the Council adopted directives relating to the exploitation and marketing of natural mineral waters and to foodstuffs intended for particular nutritional uses. In conjunction with the European Parliament in a conciliation committee, it also approved a draft regulation concerning novel foods and novel food ingredients, necessitated by the appearance of new raw materials in the food sector, new procedures and new technologies, including biotechnology.

The European Parliament and the Council adopted a directive relating to foodstuffs intended for particular nutritional uses in order to prevent a multiplicity of specific directives for such foodstuffs in line with the simplification decided on by the Commission. The Council also began examining a series of proposals to homogenise and simplify the legislation in force for seven foodstuffs (cocoa and chocolate, certain sugars, honey, fruit juice, preserved milk, etc.).

In the case of horizontal provisions, a draft amendment to the arrangements relating to the labelling, presentation and advertising of foodstuffs was approved in a conciliation committee as provided for under the co-decision procedure.

The Council also continued its proceedings on the proposal for a directive concerning foods and food ingredients treated with ionising radiation and particularly on the question of the relationship between national authorisations granted and the placing of such products on the Community market.

From an institutional standpoint, it should be noted that, while all the dossiers in this sector were adopted or were the subject of a common position, they are subject to the co-decision procedure. Only two — the directives on novel ingredients and on the labelling and presentation of foodstuffs — necessitated the intervention of a conciliation committee.

#### **(iv) Telecommunications**

In view of the decision to fully liberalise telecommunications markets within the European Union by 1 January 1998, the Commission has presented a series of proposals for directives in order to create an appropriate regulatory framework for a competitive telecommunications market and two communications: one on the universal service for telecommunications in the context of a fully liberalised environment, the other and on the costing and financing of such a universal service.

To ensure a universal service to all users by securing the interconnection and interoperability of telecommunications networks and services throughout the European Union, a common position concerning the proposal on interconnection in telecommunications was adopted by the Council, but it was unable to accept all of the amendments proposed by the European Parliament in its second reading and requested the opening of the co-decision procedure.

The Council adopted a common position on the proposal adapting the existing directives on open network provision (ONP) and on leased lines to the new competitive environment in telecommunications. In December 1996 the European Parliament delivered its second-reading

opinion, which has yet to be examined by the Council.

The Council also adopted a common position on the proposal relating to a common framework for general authorisations and individual licences in the field of telecommunications services, which seeks to establish a balance between harmonisation and liberalisation in this area and the European Parliament will give its second-reading opinion later in 1997, in accordance with the co-decision procedure.

In November the Council held a policy debate on the Commission proposal on the application of open network provision to voice telephony in order to take account of the liberalisation of the telecommunications sector and to guarantee the provision of a defined universal service for telecommunications in the European Union.

The Council adopted a common position on the proposal for a European Parliament and Council decision on a series of guidelines for trans-European telecommunications networks covering objectives, priorities and the broad lines of measures envisaged in this field. However, the Council was unable to accept all of the amendments proposed by the European Parliament in its second reading and has therefore requested the opening of the conciliation procedure with the European Parliament.

It should be recalled that this proposal was put forward by the Commission in April 1996. Following annulment by the Court of Justice of Decision 94/445/EC on the grounds of an incorrect legal basis and in line with the Court decision, the Commission proposed a new decision on the basis of Article 129d(3) of the Treaty maintaining the substance of the original decision.

The Council adopted a decision relating to telematic networks between administrations for statistics relating to the trading of goods between Member States (Edicom).

Following the adoption of the framework directive on the protection of individuals with regard to the processing of personal data and on the free movement of such data, the Council adopted a common position on data protection specifically related to digital telecommunications networks, in particular ISDN.

The Council adopted a common position on a draft European Parliament and Council decision for a coordinated authorisation approach in the field of satellite personal communications. It should be noted that the common position adopted by the Council, whilst retaining the overall objective of the Commission to facilitate the rapid introduction of satellite personal communications services in the Community, differs from the approach of the Commission in that it places the emphasis on the adoption of harmonised conditions for authorisations, reflecting the broad lines of the common position on the licensing directive.

#### **(v) Postal services**

Throughout 1996 work continued on the proposal for a directive on common rules for the development of Community postal services and the improvement of quality of services, which aims to guarantee the provision of a universal service throughout the European Union whilst gradually introducing more competition into the postal sector and seeks to ensure high quality of service standards as well as harmonisation of technical standards and the designation of independent national regulatory authorities.

Following the mandate of the Dublin European Council, a special Council session on 18 December 1996 re-examined the proposal and a political agreement was reached on the common position, providing *inter alia* for a gradual and controlled liberalisation of the mail and specifying the procedure to be followed for further liberalisation, especially as regards direct mail and cross-border mail.

#### **(vi) Statistics**

In the course of the year, the Council made considerable progress on statistics, particularly through the broad agreement reached in December 1996 on the regulation on Community action in the field of statistics, which is a horizontal text defining the principles for the production and dissemination of statistics and determining the respective tasks of the Commission (Statistical Office) and national statistics institutes.

The Council's activity also forms part of the process of achieving economic and monetary union which requires increased comparability in statistics. With that in mind, the Council adopted a regulation introducing a European system of national and regional accounts to replace the system applied at the moment, as from April 1999, producing a considerable improvement in the quality of the statistical information provided by the Member States.

The comparability of data on labour costs and salaries in the European Union is the subject of a regulation also adopted by the Council.

The Council took a decision confirming European Monetary Institute participation in the proceedings of the Committee on Monetary, Financial and Balance-of-Payments Statistics.

### **D. Agriculture and fisheries**

#### **(i) Agriculture**

Activities in this area in 1996 centred on four main sectors: the ongoing process of reform the common agricultural policy (CAP), 'day-to-day' management of the CAP, the crisis in the beef and veal sector mainly in connection with BSE, and expanding and developing legislation on veterinary matters, plant health, seeds and propagating materials and animal feed.

The year 1996 was the second of full implementation of the first CAP reform measures decided on in 1992. The overall effect of the reform on



the economic situation in the agriculture sector has been positive despite variations in different sectors. It has encouraged continuation of the CAP reform process which resulted in the adoption of the reform in the fresh and processed fruit and vegetable sector. The main objective of the reform is to make the sector more competitive, by strengthening the role of producer groups and encouraging the improvement of product quality, boosting commercial value.

There is no progress to report in the reform in the wine sector which is currently enjoying stable market conditions. In the tobacco and olive oil sectors, the Council reached political agreement with the Commission on the approach to be followed: submission by the Commission of two 'option documents', policy debate and subsequent submission of proposals by the Commission.

Throughout the year the Council discussed the issues relating to CAP management, acting on proposals submitted by the Commission. The adoption of the 'price package' in July 1996, at the same time as the reform of the common organisation of the market in fruit and vegetables, was particularly complex in so far as the Commission proposals were in line with the policy of stability and budgetary discipline followed since the 1992 reforms and in compliance with the Community's international commitments.

Day-to-day management activity related mainly to the following sectors: rice, sugar, milk, eggs, sheepmeat and goatmeat, certain fruit and vegetables, floricultural products, wine and aromatised drinks, tobacco, hops and the consequences of the GATT Agreement.

Particular attention was paid to the situation in the beef and veal sector which experienced a serious crisis, both because of developments in it in recent years (1992 reform and the GATT Agreement) which led to a structural imbalance between supply and demand and because of recent scientific discoveries relating to Creutzfeldt-

Jakob disease (CJD) and the possible link with BSE which provoked a major crisis of confidence among consumers.

To deal with this crisis situation, the Council followed an overall strategy at five different levels: eradication of BSE, support measures for producers affected by the crisis, short-term measures to improve the demand/supply ratio wherever possible, measures designed to restore consumer confidence, and long-term reform of the common organisation of the market in beef and veal. The Council had two major preoccupations in this connection: the need to make every effort to safeguard human health and to give comprehensive guarantees to the public on the matter, and the need to do everything possible to ensure survival of the Community beef and veal sector in view of its particular economic and social importance.

The Council considered eradication of BSE to be an absolute priority. It backed the provisional measures banning British exports adopted by the Commission on 27 March 1996, supplementing the embargo with a series of additional health measures. The Florence European Council reached agreement on an overall solution involving measures to be implemented by the United Kingdom, together with a framework plan and a procedure for phased relaxation of the export ban.

Regarding support for producers affected by the crisis, the Council adopted two decisions placing a total of ECU 1 350 million at their disposal.

In order to improve the demand/supply ratio as far as possible in the short term, the Council took a whole series of measures aimed chiefly at cutting beef production.

Particular attention was given to measures to reassure consumers as to the quality and safety of beef, and thus to win back their confidence. A whole series of veterinary and plant-health

measures were adopted to that end. The Commission proposals to the Council on identification and registration of bovine animals and on the labelling of beef and beef products constitute a key feature of that approach.

Lastly, with regard to long-term reform of the common organisation of the market in beef, the Council felt that, in addition to short-term measures, a change had to be made to the beef regime. The change should have a twofold aim, namely to match beef supplies in the Union with the likely long-term level of both internal and external demand while ensuring that it does not affect the Union's ability to honour its international commitments, and to encourage the production of high-quality beef using environment-friendly production techniques meeting consumers' legitimate expectations.

Moreover, in the interests of transparency and in order to restore European citizens' trust in the functioning of the institutions, the Council cooperated fully with the European Parliament's Temporary Committee of Inquiry, providing it with all relevant documentation.

Harmonisation of the veterinary sector has been actively continued. The chief results obtained include a ban on the use of hormones in stock-farming and related control measures, a directive concerning the rules to be followed in issuing certificates for animals and animal products, the political agreement reached, on the one hand, on minimum standards for the protection of calves as regards the minimum area available and, on the other hand, on the amendment of the directive on health problems affecting intra-Community trade in bovine animals and swine.

The Council also kept a close watch on developments in the negotiations with the Community's principal trading partners, aimed at concluding veterinary and plant-health equivalence agreements. Those negotiations have enabled a first agreement to be signed with New Zealand and significant progress to be made in various other cases.

Regarding harmonisation of agricultural legislation, the Council adopted a number of acts designed to supplement rules already being applied or to adapt them to requirements deriving from the functioning of the internal market.

The Council also took all the necessary decisions in connection with the headquarters (Angers) of the Community Plant Variety Office and the appointment of the persons in charge of it.

Lastly, the Council continued its efforts to reach concerted Community positions in international forums concerned with agriculture, particularly at the World Food Summit in Rome in November 1996, the Codex Alimentarius proceedings, the OECD, the international conference concerning genetic resources, and the proceedings of the special session of the United Nations General Assembly (Ungass) with a view to reaching a consensus on the establishment of a negotiating committee for the conclusion of a global convention for all types of forests.

The Council adopted a number of EAGGF Guarantee Section provisions making it possible both to reduce the financial costs borne by Member States with interest rates significantly higher than the uniform interest rate, and to continue Community co-financing connected with the integrated administration and control system for certain Community aid schemes pending a final decision on the Commission proposal seeking to maintain that facility.

In the agri-monetary field, the Council, following the same practice as in the past to deal with appreciable revaluations, took measures in respect of the Swedish krona and the Finnish markka to reduce the cost of applying the provisions of the basic regulation.

On the subject of agricultural statistics, the Council took two major measures designed to enable the system of Community agricultural statistics better to meet the information requirements resulting from the reform of the CAP.

As in the previous year, the Council conducted a structured dialogue with the CCEE on rural development.

## (ii) Fisheries

The year was a busy one for the common fisheries policy, not only in terms of legislation adopted, but also the discussion of key objectives in the areas of conservation, control and enforcement, as well as the related and sensitive issue of achieving a balance between the fleet capacity of the European Union and the resources available — in the shape of the Commission's proposed set of multiannual guidance programmes for 1997–2002.

Conservation policy was marked in particular by a 50 % cut in the total allowable catch (TAC) of North Sea herring, after consultation with Norway (which shares the joint management of this stock), when it became clear in June that the stock was under intense threat. Having adopted a regulation establishing additional conditions for the year-to-year management of TACs and quotas (the underlying principle is that any overfishing of quotas must be paid back), the Council applied this rule for the first time to a number of sensitive stocks on the occasion of the annual setting of TACs and quotas at the end of the year.

A considerable future reinforcement of the control of Community fishing activities was achieved when the first measures to introduce a general satellite-tracking system for fishing vessels were decided in principle. Intensive discussions continued on the revision of the legislation on technical conservation measures, which must be rendered less complicated, more easily understandable, and more effectively enforceable.

In the interests of producers and consumers alike, the Council adopted a regulation reforming common marketing standards, with the aim of improving product quality and facilitating marketing.

In the field of international fishery relations, concentration on the priorities of conservation

was illustrated by the decision on the Community's accession to the FAO Agreement to promote compliance with international conservation and management measures by fishing vessels on the high seas, as well as progress towards the Community's accession to the United Nations Agreement on Straddling Fish Stocks and Highly Migratory Species. The Community also concluded new arrangements for the joint management with Norway of herring stocks in the North Sea, and began consultations with Norway for a similar arrangement concerning mackerel.

The Community organised the second Diplomatic Conference on the Conservation and Management of Fisheries Resources in the Mediterranean and began negotiations for accession to the General Fisheries Council of the Mediterranean, a body of which several Member States of the Union are already members.

The Community concluded new agreements with Estonia, Latvia and Lithuania (replacing, after their accession to the Community, the bilateral agreements between Finland and Sweden with the three Baltic States), whilst in the south very important agreements were renewed with Mauritania and Morocco; all these agreements go well beyond the simple acquisition or exchange of fishing rights and point to a future of integrated cooperation with the Community's overseas partners.

Finally, the Council launched the process of reflection on the shape of the future common fisheries policy after the year 2002 (when the existing policy will be reviewed) on the basis of the present *acquis*.

## E. Transport

Community guidelines for the development of the trans-European transport network were adopted by the European Parliament and the Council at the end of the conciliation procedure. These guidelines may be seen as providing a general framework setting out objectives and indicating the development planned for the

transport networks up to 2010 and the measures to be taken to achieve it. They cover all transport infrastructure with a view to intermodal integration. The guidelines identify projects of common interest in the context of those networks. Those projects alone will be eligible for Community financial support under the budget heading for trans-European networks or from the Cohesion Fund.

As part of the structured dialogue, the Council held a meeting with the transport ministers of the CCEE on the development of rail and combined transport and on transport pricing.

#### **(i) Inland transport**

In the field of road transport, the Council adopted a directive concerning driving licences, defining a Community-model driving licence in elasticised credit card format to serve as an alternative to the paper model provided for in a previous directive, and also a common position with a view to adopting a directive designed to establish a list of harmonised codes for transcribing the information to be entered in national driving licences issued in accordance with the Community model.

The Council adopted a directive designed both to amend once again the directive on weights, dimensions and certain other technical characteristics of certain road vehicles and recast it in a single text together with the directive relating to proof of compliance of vehicles. It further adopted a directive on the approximation of the laws of the Member States relating to road-worthiness tests for motor vehicles and their trailers, seeking to ensure that road traffic within the Community operates under the most favourable circumstances as regards both safety and competitive conditions applying as between carriers in the various Member States.

Finally, the Council adopted a directive on access to the occupation of road haulage operator and passenger transport operator, representing the legislative consolidation of earlier directives

on access to that occupation and reflecting the Council's desire to make Community law simpler and clearer.

Regarding inland navigation, the Council adopted a regulation seeking to ensure free access for the Member States' inland waterway carriers to all traffic between Member States without any discrimination based on nationality and/or place of establishment, and also a directive fitting within the context of the Council directive on the reciprocal recognition of national boatmasters' certificates for the carriage of goods and passengers by inland waterway; the new directive provides for a single national boatmaster's certificate issued on the basis of harmonised conditions using a Community-designated model, and mutually recognised by the Member States.

The Council also adopted a package of measures provided for in the Commission communication on a common policy for the organisation of the inland waterway market and accompanying measures, including a directive aimed at liberalising gradually and in a harmonised fashion the rotation systems still existing in some Member States, a regulation authorising a Community financial contribution to the scrapping funds of the Member States concerned for 1996, and a further regulation designed to promote inland waterway transport through temporary support arrangements for investments in inland waterway terminals.

On rail transport, the Council adopted a directive aimed at transposing into Community law the international regulations concerning the international carriage of dangerous goods by rail (RID). It further adopted a directive on the interoperability of the trans-European high-speed rail system, whose objective is to allow the uninterrupted movement of high-speed trains throughout the Community.

In the field of combined transport the Council adopted a common position directed chiefly

towards extending for two years (1996 and 1997) the present system of granting aids for combined transport on a temporary basis.

On the subject of transport safety, the Council adopted a directive providing that undertakings involved in the transport by road, rail and inland waterway of dangerous goods or loading or unloading operations associated with such transport must appoint, no later than 31 December 1999, one or more duly qualified safety advisers for the transport of dangerous goods, with responsibility for helping to prevent the risks to persons, property and the environment inherent in the transport of dangerous goods.

#### **(ii) Air transport**

Work is continuing on the consolidation of liberalisation of air transport, and discussions on closer cooperation and on harmonisation of the Community civil aviation market with that of the United States and — more recently — with that of the CCEE have begun.

With an eye to completion of the liberalisation process, the Council adopted a directive on access to the groundhandling market at Community airports, laying down arrangements and a timetable for liberalising self-handling and for services provided by third-party companies, and also the possibility of limiting the number of suppliers for certain categories of services.

Regarding external relations, the Council adopted decisions authorising the Commission to negotiate an agreement between the Community, the European Space Agency and the European Organisation for the Safety of Air Navigation (Eurocontrol) on the European contribution to the setting-up of a global navigation satellite system, to open negotiations with the United States on air transport with a view to establishing an EU-US common aviation area, and to negotiate agreements on access to the air transport market between the European Community

and the CCEE aimed at integration of their respective air transport markets.

#### **(iii) Shipping**

The Council continued to concern itself with the economic situation in the field of shipping, mapping out the general framework for action on its part. It agreed on a resolution on a strategy to increase the competitiveness of Community shipping, setting forth its view that the development of Community shipping was conditional on the training of seafarers, research and development, development of short sea shipping, fair competition, open markets and safety at sea.

In its resolution on short sea shipping, the Council stated its intention of encouraging the growth of this mode of transport with due regard for the free choice of users, through increased operator efficiency, active integration of short sea shipping into the intermodal transport chain and free and fair competition between the various modes of transport.

The Council continued to strive for greater safety at sea, adopting a directive on marine equipment, imposing, from 1 January 1999 onwards, certain testing standards for equipment placed on board vessels flying a Member State's flag, and also setting strict requirements regarding professional ability for bodies checking compliance with those standards.

On the international level, the Council reviewed problems arising in trade relations with non-EU countries and ensured coordination of Member States' positions in international forums, such as the International Maritime Organisation (IMO), the International Labour Organisation (ILO) and the 84th session (devoted to shipping) of the International Labour Conference.

### **F. Social policy**

In the field of labour relations, the Council, acting under the co-decision procedure with

the European Parliament, adopted a directive on the posting of workers in the framework of the provision of services, setting the requirement that the conditions of employment and pay in force in a Member State must apply to both national workers and to workers posted elsewhere as part of a transnational provision of services.

The Council also adopted a directive concerning the framework agreement on parental leave concluded by certain general cross-industry organisations (UNICE, CEEP and ETUC). This is the first directive implementing an agreement concluded by the social partners at Community level on the basis of the Agreement on Social Policy concluded between 14 Member States and annexed to the Treaty (the United Kingdom is not party to that agreement).

The Council also held a policy debate on the Commission communication on worker information and consultation.

The Commission informed the Council of the establishment of the high-level group on 'workers' involvement in European systems with particular reference to the European company statute and other pending texts', chaired by Viscount Davignon. The group is due to report in spring 1997.

Regarding health and safety at work, the Council adopted a common position concerning the amended proposal for a directive on the protection of workers from the risks related to exposure to carcinogens at work. It continued its work on the proposal for a directive on the protection of the health and safety of workers from the risks related to chemical agents at work.

On the subject of equal treatment for men and women, the Council discussed the proposal for a directive on the burden of proof in cases of discrimination based on sex, which is also based on

the Agreement on Social Policy. Following the Court's judgment in the *Kalanke* case, the Council held a political exchange of views on the proposal for a directive amending the directive on the implementation of the principle of equal treatment for men and women as regards access to employment, vocational training and promotion, and working conditions.

In the framework of the implementation of the action programme adopted at the fourth World Conference on Women, the Council took stock of the follow-up to the Peking Conference at both Community and national level, in particular as regards the legislation adopted in the field of equal opportunities for men and women at Community level since the end of the conference and the follow-up measures adopted or planned in the Member States and by the Commission.

Further to the action programme of the Peking Conference, the Council adopted a recommendation on balanced participation of men and women in the decision-making process, with a view to promoting the balanced participation of men and women in all levels of the decision-making process in the political, economic, social and cultural spheres. It also adopted a resolution on mainstreaming equal opportunities for men and women into the European Structural Funds.

The Council adopted a directive amending the directive concerning equal treatment for men and women in occupational social security schemes in order to bring it into line with Article 119 of the Treaty as interpreted by the Court of Justice, particularly in its *Barber* judgment of 17 May 1990.

The Council held a public debate on the document submitted by the Commission at the end of 1995 entitled 'Future of social protection: a framework for a European debate':

The Council and the representatives of the governments of the Member States, meeting within the Council, adopted a resolution on the role of social protection systems in the fight against unemployment, calling upon Member States to incorporate into their social protection policies the objectives of combating unemployment and of integrating and reintegrating unemployed men and women into economic and social life. The Commission was invited to encourage exchanges of information and experiences and also collective reflection within the existing structures, and to analyse developments, innovation and progress achieved and submit appropriate reports to the Council.

The Council and the representatives of the governments of the Member States, meeting within the Council, also adopted a resolution on equality of opportunity for people with disabilities, calling upon Member States to consider their relevant policies and to promote the involvement of representatives of people with disabilities in the implementation of and follow-up to relevant policies and actions in their favour. The Commission was also invited to take account, where necessary and within the provisions of the Treaty, of the principles set out in that resolution in any relevant proposal. The other Community institutions and bodies were invited to contribute to the realisation of the aforementioned principles in the framework of their own policies and activities.

Regarding the free movement of workers and social security for migrant workers, the Council adopted a resolution on the transparency of vocational training certificates, calling on Member States to promote increased transparency of vocational training certificates and to promote the measures necessary for issuing vocational training certificates in other Community languages. In the field of social security for migrant workers, the Council adopted a regulation amending and updating Community legislation.

The dialogue with the social partners was further pursued at the Rome Tripartite Conference

and also within the Standing Committee on Employment.

### **G. Education and young people**

The Council decided to extend the second phase of the trans-European cooperation scheme for higher education (Tempus II) for a period of two years beginning on 1 July 1998. The Tempus II programme aims to promote the development of higher education systems in the partner countries (countries of central and eastern Europe, countries of the former Soviet Union, and Mongolia) within the general guidelines and objectives of the Phare and Tacis programmes. The extension coincides with the timescale of the Tacis regulation, and also provides for the changing situation of those countries of central and eastern Europe which have concluded or will conclude association agreements and which will become eligible for participation in internal EC programmes such as Socrates, Leonardo da Vinci and Youth for Europe III.

The Council adopted conclusions on the Commission's White Paper 'Teaching and learning: towards the learning society', indicating that the Community institutions, each within its role, must contribute to defining areas for common action which strictly adhere to the provisions of the Treaty.

The Council also adopted a resolution on educational multimedia software in the fields of education and training, calling on all parties to encourage dissemination of best practice in this field and inviting the Commission to submit a report to the Council by the end of 1997 on progress, obstacles and additional action required to the year 2000 and to take account of the fields of education and training in the context of its overall initiatives on the information society.

The Council adopted conclusions on the synergies between academic recognition and professional recognition of qualifications in the Community which invite the Member States

and the Commission to encourage improved coordination between national information dissemination structures in these two areas of recognition.

The Council furthermore agreed conclusions on school effectiveness: principles and strategies to promote success at school, setting out a framework of possibilities for development which are intended to enable succeeding Presidencies, at their discretion, to give more detailed consideration to the issues raised.

Following an initiative taking into account the Commission's White Paper on education and training, the Council adopted conclusions on a strategy for lifelong learning providing a cohesive structure within which the initiatives undertaken at the various levels of education and training can be harnessed towards a unifying purpose.

Finally, the Council adopted conclusions on local community development through education and training, the concept of which is essentially about empowering people, at local level, to become involved in the identification of their needs and in developing, within legal and budgetary frameworks, learning and other programmes appropriate to those needs in a progressive and participative way.

The Council and the ministers for education meeting within the Council acknowledged in a declaration on the protection of children and countering paedophilia that the education sector had an important role to play, in a coordinated approach involving a number of areas, in tackling paedophilia and protecting children. The declaration states that exchanges of information on the practices and approaches in the Member States, facilitated by a Commission survey, will be beneficial in this.

## **H. Culture**

The Council modified the directive on the return of cultural goods unlawfully removed from the

territory of a Member State and the regulation on export of cultural goods with a view to extending coverage to include watercolours, gouaches and pastels.

In accordance with the procedure laid down in Article 189b of the Treaty, the European Parliament and the Council adopted a decision establishing a programme to support artistic and cultural activities having a European dimension (Kaleidoscope). The programme is to encourage cooperation at European level between Member States in the field of culture and includes the following fields of action: support for events and cultural projects carried out in partnership or through networks; large-scale European cooperation actions; involvement of third countries; European City of Culture and European Cultural Month; and specific measures. The financial framework for this programme for the period 1 January 1996 to 31 December 1998 is ECU 26.5 million.

Furthermore, the Council adopted its common position concerning the implementation at Community level of a support programme in the field of books and reading, in particular through translation in Europe (Ariane). As the Council was unable to adopt all of the Parliament's amendments forwarded under the co-decision procedure, the conciliation procedure will commence in mid-1997.

The Council also adopted a common position on a Community action programme in the field of cultural heritage — the Raphael programme, which aims to support and supplement, through cooperation, the action taken by Member States in the field of cultural heritage of European importance. As the Council was unable to adopt all of the Parliament's amendments forwarded under the co-decision procedure, the conciliation procedure will commence in mid-1997.

In 1996 the Council adopted two resolutions on access to culture for all and on electronic



publishing and libraries respectively. The first resolution helps to target more accurately measures concerning access to culture for citizens within Community programmes; the second resolution calls upon the Commission to look into the various legal, technical and cultural aspects of electronic documents, from their creation to their utilisation, as well as the fresh cultural and social challenges to be met by libraries, especially public libraries, in the new economic and technological environment.

It also agreed on a resolution on the integration of cultural aspects into Community actions which will be formally adopted at a Council meeting in 1997.

At its December meeting, the Council designated Plovdiv (Bulgaria) as the city to organise the Cultural Month of 1999.

## **I. Information society and audiovisual industry**

Further to the conclusions of the Corfu European Council and to a set of Commission communications grouped together under the title 'The information society: from Corfu to Dublin', work has continued on the economic, legal, social and societal aspects of the information society. Following a wide-ranging exchange of views, the Council adopted a resolution on the new political priorities concerning the information society.

Moreover, as part of the structured dialogue initiated by the European Council meeting in Essen, the Council held a joint meeting with CCEE ministers on the subject of the information society.

The Commission adopted a revised action plan entitled 'Europe at the forefront of the global information society: rolling action plan', which

was presented to the Dublin European Council in December 1996.

The Commission submitted a Green Paper entitled 'Living and working in the information society: people first', by means of which it intends to stimulate a wide-ranging debate on the social aspects of the information society.

In the area of telecommunications, the Council adopted a multiannual programme to stimulate the development of a European multimedia content industry and to encourage the use of multimedia content in the emerging information society (INFO 2000), with a global budget of ECU 65 million for the four-year programme.

Also in this context, the Council adopted a decision on the adoption of a multiannual programme to promote the linguistic diversity of the Community in the information society (MLIS).

In view of the rapid development of the Internet, the problem of its illicit use has been addressed by the Council on a number of occasions in 1996 and an ad hoc Commission working party was set up to examine practical measures to combat illegal and harmful content on the Internet. With respect to the particular problems of paedophilia on the Internet, the Council and the representatives of the Member States meeting within the Council adopted a resolution which called on the Commission to continue its work in this area and invited Member States *inter alia* to encourage and facilitate self-regulatory systems, the provision to users of filtering mechanisms and the establishment of rating systems.

The Council agreed on conclusions requesting the Commission to follow up work on the Green Paper on the protection of minors and human dignity in the audiovisual and information services.

Furthermore, the Council adopted a common position amending the 'television without frontiers' directive with a view to bringing it up to date and improving the operation of the directive, so as to provide a stable legal environment conducive to the development of the audiovisual industry in the European Union. Since the Council was unable to adopt all of the European Parliament's amendments forwarded under the co-decision procedure, the Community's conciliation procedure will start in early 1997.

## **J. Public health**

Progress on Community public-health action programmes in five priority areas has been satisfactory.

Thus, it was possible to adopt the action programme on health promotion, information, education and training (budget: ECU 35 million), the action plan to combat cancer (budget: ECU 64 million) and the action programme on the prevention of AIDS and certain other communicable diseases (budget: ECU 49.6 million), and also the action programme on the prevention of drug dependence (budget: ECU 27 million). The latter programme is in response to the priorities for action on health and, as regards drug demand reduction, represents an essential component of the European Union action plan to combat drugs and of the activities decided by the Cannes European Council.

Regarding the action programme on health monitoring, the Council requested the opening of the conciliation procedure, to take place early in 1997. The programme is designed to contribute to the measuring of the health situation in the Community, and to facilitate the planning and evaluation of Community programmes and actions and Member States' health policies.

The abovementioned programmes and plans seek to encourage cooperation between the

Member States, support their action as regards both basic knowledge and information for the public, and promote coordination of their policies and programmes. They are to be implemented over a five-year period (1996–2000) by the Commission in cooperation with the Member States, and are open to the associated countries of central and eastern Europe and also to Cyprus and Malta.

Communicable diseases are being given increasing attention due to the resurgence or emergence of certain diseases and in connection with the advancing abolition of internal frontiers. For this reason, the Council began considering a proposal to create a network for epidemiological surveillance and control of communicable diseases, which seeks to set up communication, cooperation and coordination structures at European level. Alongside that initiative, a task force was set up with a view to creating a global early warning and response system for communicable diseases in the context of transatlantic relations with the United States.

In the context of communicable diseases, the implications for public health of the 'mad cow' crisis, i.e. the possible link between bovine spongiform encephalopathy and the new strains of Creutzfeldt–Jacob disease, prompted the Council on two occasions to adopt a set of conclusions on transmissible spongiform encephalopathies. The conclusions emphasise the need to give top priority to public-health protection and urge the monitoring of the scientific evidence relating to Creutzfeldt–Jacob disease, epidemiological surveillance of that disease and increased cooperation between Member States.

Blood safety is a matter of constant concern to the Council. Therefore, following its resolution on the matter of 2 June 1995, it adopted a resolution on a strategy towards blood safety and self-sufficiency in the Community which draws

largely on the conclusions of the colloquium held in Adare (Ireland, September 1996).

The Council looked again into the matter of reducing smoking; it adopted a resolution designed to give fresh impetus to the efforts to achieve that goal. On the other hand, differences of views continue to exist regarding the ban which the proposed directive places on the advertising of tobacco products.

Alongside its legislative activities, the Council underscored the importance it attached — in accordance with the Treaty — to the integration of health-protection requirements into Community policies by adopting, in response to the Commission's second annual report on the matter, a further resolution designed to foster achievement of that objective.

## **K. Consumer protection**

Work in this area continues to be marked by the twofold concern of protecting consumers and ensuring the smooth functioning of the internal market: this is borne out by the fact that Article 100a is the legal basis most found in the proposals under examination. All proposals here are subject to the co-decision procedure.

The European Parliament and the Council, acting under the co-decision procedure, approved a draft directive on the protection of consumers in respect of distance contracts. The main result of conciliation was to increase the possibilities for refunding consumers where the supplier failed to fulfil his side of the contract, and enable consumer organisations to seek legal redress.

The Council also adopted two common positions, one concerning a directive on comparative advertising, stating the conditions under which comparative advertising is permitted and the arrangements for controlling it, and the other on the indication of the prices of products offered

to consumers, seeking to clarify the concepts of 'selling price' and 'unit price', which constitute essential information for consumers

With a view to defining which course to take in its work, and in response to the Commission communication entitled 'Priorities for consumer policy 1996–98', the Council adopted a set of conclusions detailing those priorities. One of the themes emphasised in the conclusions and already highlighted by the Corfu European Council — namely the preparation of consumers of the information society — was the subject of a wide-ranging public debate and several discussions in the Council.

Simplifying consumers' access to courts is a constantly recurring consumer policy theme. In that vein, the Council began consideration of a proposal for a directive on injunctions for the protection of consumers' interests; this proposal seeks to coordinate national provisions on actions to seek an injunction against illicit commercial practices and to ensure mutual recognition of the bodies authorised to bring such actions.

The Council wound up its consideration of the matter by adopting, in the light of a Commission communication on the subject, a set of conclusions on simplifying the settlement of disputes involving consumers by way of out-of-court and other comparable procedures.

The Council was able to make satisfactory progress on a proposal for a directive on consumer credit, whose main purpose is to ensure application of a single formula for calculating the annual percentage rate of charge for credits of that kind.

Lastly, the Council began considering a proposal on the sale of consumer goods and associated guarantees which follows on from the Green Paper on that matter and is designed to simplify existing national rules and bring them closer together as regards legal and commercial guarantees.

## **L. Industry**

### **(i) Industrial policy**

The Council adopted a decision laying down guidelines for the implementation of a Community action programme to strengthen the competitiveness of European industry, seeking to modernise the industrial role of public authorities in order to eliminate unnecessary legal and administrative constraints on enterprises (particularly small and medium-sized enterprises), to ensure undisturbed competition both internal and external to the Community, to strengthen industrial cooperation and to promote intangible competitiveness factors.

The Council adopted conclusions concerning benchmarking of European competitiveness — calling upon the Commission to bring forward proposals for developing the use of benchmarking as a means of improving the competitiveness of European industry — and on the textile and clothing industry, the pharmaceutical industry, the chemical industry and the automobile industry.

It also adopted conclusions in which it recognised that the application of the State aid rules require continuous endeavours to increase legal certainty, predictability and consistency, and took note of the Commission's guideline as regards possible future proposals on procedural rules and block exemptions in specified fields.

The Council decided to amend the regulation on aid to shipbuilding in order to extend, until 31 December 1997 at the latest, the validity of the seventh directive which authorises State aid — within certain limits and under certain conditions — bearing in mind that the Union may not abolish such aid completely as long as other countries continue to grant it, and pending ratification of the international agreement concluded within the framework of the OECD on normal conditions of competition in the merchant shipbuilding and repairing industry.

The Council also held an exchange of views on the issue of transparency when examining cases of State aid for shipbuilding.

The Council authorised the Commission to begin negotiations with the United States with a view to concluding an agreement strengthening bilateral cooperation on application of competition rules.

The Council adopted a resolution on the coordination of Community activities in favour of small and medium-sized enterprises (SMEs) and the craft sector, inviting the Commission to strengthen coordination of all Community instruments and programmes in favour of SMEs and the craft sector and to improve the access of SMEs and the craft sector to Community programmes, particularly research and technological development and vocational training programmes. The Council also adopted a resolution on realising the full potential of small and medium-sized enterprises, including very small enterprises and the craft sector, through an integrated approach to improving the business environment and stimulating business support measures. The resolution calls on the Commission fully to implement Community measures under enterprise policy, as well as under other relevant Community policies, and to undertake exchanges of best practice at national level aimed at improving support mechanisms.

The Council adopted a decision on a third multiannual programme for small and medium-sized enterprises in the European Union (1997–2000). The aim of this programme, which has a budget of ECU 127 million, is to simplify and improve the administrative and regulatory operation and the financial management of enterprises. It also seeks to help SMEs adapt their strategies at European and international level, in particular through information and cooperation. It aims to strengthen the competitiveness of SMEs by improving their access to research, innovation and training, to promote the spirit of enterprise by supporting

target groups and to improve the policy instruments for SMEs.

The Commission will be responsible for implementing the programme, with the assistance of a committee of representatives of the Member States. The programme will be open to the participation of the CCEE as well as Cyprus and Malta.

Further to the commitments entered into at the Essen, Cannes and Madrid European Councils, the Council adopted a resolution on industrial cooperation with other regions and third countries *inter alia* in the Mediterranean, calling upon the Commission to step up its proceedings on industrial cooperation with the third countries with which the Community has traditionally had closer ties for historical and cultural reasons.

The Euro-Mediterranean Conference of Ministers for Industry adopted a work programme focusing on the following topics: an appropriate legal and administrative framework, business culture, the formation of associations, training, industrial zones and specialised services centres, the promotion and modernisation of business, with special reference to SMEs, thereby encouraging the flow of investment, and the development of Euro-Mediterranean partnership information and communication networks.

The Council agreed to an extension of the activities of the European Investment Fund (EIF) to include equity shares, so as to facilitate access by small and medium-sized enterprises to external financing.

#### **(ii) Steel industry**

In the framework of the restructuring of the steel industry, the Council discussed the fifth and sixth half-yearly Commission reports on the stringent monitoring of State aid authorised for 1993 and 1995. The Council unanimously agreed to give its assent to a draft Commission

decision establishing a new steel aid code, to enter into force in January 1997 and provide for the possibility of recourse to State aid for R & D, environmental matters and partial closure of steel undertakings until expiry of the ECSC Treaty by transitionally aligning the treatment of State aid for steel on that accorded by the EC Treaty to other industrial sectors.

In the course of 1996, the Council gave a number of assents under Articles 54 and 56 of the ECSC Treaty.

#### **M. Regional policy and economic and social cohesion**

As part of the Community's support towards promotion of the economic and social development of its outermost regions, the Council approved four regulations concerning specific measures for the archipelagos of Madeira and the Azores, and the Canary Islands.

In the case of Madeira and the Azores, the Council adopted a regulation providing, until 31 December 2005, for favourable tariff treatment of imports of non-agricultural raw materials for processing.

The first regulation concerning the Canary Islands allows operators in the Canary Islands an additional year's full exemption to prepare for adjustment to the new tariff regime, and introduces different arrangements for the gradual collection of anti-dumping duties during the transitional period. The other regulation temporarily suspends the autonomous Common Customs Tariff duties on certain industrial products.

Finally, the fourth regulation extends up to the 1996/97 marketing year the application of the specific measures for the Azores and Madeira, and the Canary Islands respectively, with regard to certain agricultural products.

## **N. Research and technological development**

In 1996 the fourth framework programme (RDFP) underwent its mid-term review in order to decide whether it should be allocated an additional amount as provided for at the time of its adoption by the Council and the European Parliament in 1994. Following the review, the Council agreed to adopt a common position on a sum of ECU 100 million and on how that sum should be distributed among the various topics of the specific programmes selected for additional financing.

In addition, given the importance of the issue of diseases related to transmissible spongiform encephalopathies (TSEs), the Council gave particular attention to identifying research needs linked to those diseases and to possibilities available under the life sciences programmes. Accordingly, taking account of the Weissmann report and of the action plan proposed by the Commission, the Council agreed to allocate, in the context of the financial supplement to the fourth framework programme, an extra ECU 35 million for research on TSEs and also on vaccines and viral diseases.

In parallel, a start was made on consideration of the future of the Community's RTD policy, notably on the basis of the Commission's ideas on the structure and content of the fifth RDFP, in the final stage of preparation of its proposal, to be submitted in early 1997.

Regarding encouragement of innovation in the Community, the Commission, further to its Green Paper on innovation, submitted an action plan on the matter in December 1996.

On the subject of international cooperation, the Council adopted a resolution setting out overall Community policy objectives in this area, listing a number of principles to underlie that cooperation. With regard to bilateral agreements,

the Council authorised the signing of a scientific and technical cooperation agreement with Israel, and another such agreement with South Africa, and also decided to conclude with several non-EU industrialised countries an arrangement on intelligent manufacturing systems (IMS).

Still in connection with relations with non-EU countries, the Union's research ministers met their CCEE counterparts under the structured dialogue arrangements. An exchange of views was held on ways of boosting scientific and technical cooperation with non-EU Mediterranean countries.

The Council further adopted conclusions on the need to increase involvement of SMEs in Community research activities, on the progress made by the Joint Research Centre (JRC) in adopting a more competitive approach in its activities — in accordance with conclusions adopted by the Council in 1994 — and, finally, on the importance of research in combating drug dependence.

Moreover, the Council adopted a decision on a supplementary programme concerning the operation of the high-flux reactor (HFR) at Petten (Netherlands) for a period of four years from 1 January 1996.

Finally, COST (in which 25 European States participate) continued to provide a pan-European framework for RTD cooperation; 130 COST actions are currently under way.

## **O. Environment**

In view of the transnational nature of many environmental problems, the European Union favours a multilateral approach for resolving them. For this reason, as in 1995, the external aspect represented a major part of activities in this area.

The Union is continuing to act as a driving force for the Rio-process conventions, both at the third conference of the parties to the Convention on Biological Diversity and the negotiations for a protocol on biosafety, and at the second conference of the parties to the Convention on Climate Change and the negotiations which that conference wanted to be speeded up for a protocol on limitation and reduction of greenhouse gas emissions not falling under the Montreal Protocol on the protection of the ozone layer. As regards more horizontal issues, the Union participated in the fourth session of the Commission on Sustainable Development, which helped prepare the special session of the United Nations General Assembly which is to review in 1997 the progress made in the implementation of the Rio commitments (Agenda 21). It also participated in the work of the Intergovernmental Panel on Forests in which an important agreement is expected with a view to implementing the principles on forests adopted at Rio and promoting the sustainable management of forests.

A striking example of a conflict between trade and environmental interests is undoubtedly to be found in the negotiations for a framework agreement with Canada, the United States and the Russian Federation on humane trapping standards, made necessary by the fact that the regulation banning the use of leghold traps in the Community is difficult to implement for trade policy reasons. The Council was kept regularly informed by the Commission of the progress of these negotiations. It considered that the outcome was not satisfactory and that further negotiations were therefore necessary in order to improve on this outcome, taking the regulation as a basis.

Lastly, the Council decided that the Community would conclude the Convention on the Protection of the Alps (Alpine Convention) and also the Convention on Environmental Impact Assessment in a Transboundary Context (ESPOO

Convention), which supplements Community legislation concerning impact studies.

The Union is also continuing its efforts at cooperation with non-EU countries without having recourse to legally binding instruments; it does so with the CCEE under the structured dialogue and with the Mediterranean countries both under the pre-accession structured dialogue (Cyprus and Malta) and in the far wider framework of the follow-up to the Barcelona Euro-Mediterranean Conference (e.g. ministerial meeting on local water management held in Marseilles).

Regarding the environmental policy's internal dimension, in addition to horizontal activities, action was taken on the monitoring of activities involving risks for human health and the environment and on protecting specific environments (air and water) and flora and fauna.

Horizontal activities included final adoption of the regulation amending the regulation establishing a financial instrument for the environment (LIFE), which introduced the second stage (1996-99) of this instrument with funding of ECU 450 million. In addition, the Council made sufficient progress in its mid-term review of the fifth programme of policy and action in relation to the environment and sustainable development 'Towards sustainability' to be able to reach agreement on its common position on the proposal for a decision to review the programme, a decision which should coincide with stocktaking of Rio commitments.

The first category of action includes the directive on integrated pollution prevention and control introducing a single authorisation procedure, covering the various environments, for industrial installations, the directive concerning control of major-accident hazards involving dangerous substances (Seveso II), and the directive on assessment of the environmental impact of certain public and private projects, on which the

Council has just adopted a common position. These three directives will form a set of instruments covering a large part of the development of industrial plant, ranging from its authorisation to the management of certain related risks. The Council further adopted a common position on the directive concerning the placing of bio-cidal products on the market, which lays down the procedures and arrangements for authorising the approximately 14 000 products concerned and their 800 active substances.

Technological development is revealing new risks which must also be managed. Here the Council took an interest in biotechnology by means of the proposal for a directive on the contained use of genetically modified micro-organisms and the proposal for a decision on the placing on the market of genetically modified maize, the case of soya having been resolved without the matter having to be referred to the Council. While in the case of the first proposal there was adequate progress towards a directive which will afford greater protection than the one in force, in the second case the Council was unable to reach agreement on the effects and potential risks of these products and how they should be marketed.

It was therefore left to the Commission to decide to place the product on the market under the existing procedures.

As regards waste management, the Council felt, in response to a Commission communication, that the principles for action at Community and national level should be updated and agreed on a resolution on a Community strategy for waste management. It also reached agreement on the regulation on the supervision and control of shipments of waste within, into and out of the European Community which will ensure that the Community is consistent with its international commitments regarding the ban on exporting dangerous waste. These provisions will be

supplemented by the regulation laying down rules and procedures applicable to transfer of waste to non-OECD countries, the proposal for which is currently under consideration. Lastly, the Council adopted the directive on the disposal of PCB and PCT.

Finally, it should be noted that the Parliament rejected the common position adopted in 1995 on the proposal for a directive on the landfill of waste.

With regard to air pollution, the Council adopted the directive on ambient air quality assessment and management and reached agreement with a view to adopting the decision establishing an exchange of information on ambient air pollution which will ultimately provide the Community with detailed information on each pollutant and with observation mechanisms. The directive on measures against the emission of gaseous (CO, NO<sub>x</sub>, hydrocarbons) and particulate pollutants from internal combustion engines to be installed in non-road mobile machinery in respect of which the Council has just adopted its common position will also contribute towards a reduction in air pollution.

Recognising the responsibility which transport bears for air pollution, the Council began, as part of an open debate, to study the proposals for directives submitted relating to the future strategy for the control of atmospheric emissions from road transport, taking into account the results of the Auto-Oil programme (relating respectively to the quality of petrol and diesel fuels and measures to be taken against air pollution by emissions from motor vehicles). The two-stage approach proposed will provide a medium- and long-term framework for the industry. In the same area and also contributing to the strategy on climate change, conclusions were adopted on the Community strategy to reduce CO<sub>2</sub> emissions from passenger cars by reducing average fuel consumption. The



conclusions will serve as a basis for the negotiations to be held by the Commission with industry with the aim of achieving voluntary agreements.

As regards water, the Council began studying the proposal for a directive on the quality of water intended for human consumption, the aim of which is to limit the parameters to be taken into account to those which are essential for the protection of health and to amend certain limit values (e.g. lead). In response to a Commission communication on Community water policy, the Council asked the Commission to submit a framework directive on water resources. In view of the role of wetlands in the protection both of hydrological resources and of flora and fauna, the Council held an open debate on the subject and also adopted conclusions on wiser use and management of wetlands.

With regard to fauna and flora, after five years of discussions the Council adopted a regulation on the protection of species of wild fauna and flora which will allow the Community to go further than the Washington Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). The Council also made progress on the proposal for a recommendation relating to the keeping of wild animals in zoos. Work continued on a proposal for a regulation to adjust the rules for implementing import restrictions, as laid down in the abovementioned regulation, following the negotiation of the framework agreement on trapping standards.

## **P. Energy**

This year, an important step was taken towards establishing an internal market in energy with the adoption, following several years' discussions, of a directive concerning common rules for the internal market in electricity and the adoption of conclusions concerning common rules for the internal market in natural gas.

The Council adopted, via the co-decision procedure with the European Parliament, the decisions needed to implement trans-European electricity and natural gas networks.

The Council continued its activity in the area of energy efficiency by adopting a decision concerning a multiannual programme for the promotion of energy efficiency in the Community (SAVE II) and a directive on energy-efficiency requirements for household refrigeration appliances.

The Council also considered all aspects of European Union energy policy on the basis of the Commission White Paper and adopted a resolution. It also adopted conclusions on the energy dimension of climate change. Additionally, it studied more specifically the supply of gas and the situation regarding oil supplies, refining and markets, which were also the subject of conclusions.

In the field of nuclear energy, an important step was taken when the Council adopted the directive laying down basic standards for protection against ionising radiation, which is a central plank in Community legislation.

Finally, the Council made progress in simplifying Community law in the field of energy.

In the field of external relations with regard to energy, action centred: on the Euro-Mediterranean partnership in the energy sector with the adoption of conclusions; on the Energy Charter, with political agreement in December 1996 on the conclusion of the Energy Charter Treaty and the Energy Charter protocol on energy efficiency and related environmental aspects; and on the labelling of energy-efficient office equipment with the adoption of a negotiating mandate to coordinate the relevant programmes of Japan, the United States and the Community.

The European Atomic Energy Community's international relations were strengthened by the adoption of a decision approving the signing by the Commission of a nuclear cooperation agreement with Argentina and of a negotiating mandate with a view to the accession of Euratom to the Korean Peninsula Energy Development Organisation (KEDO).

### **Q. Civil protection**

Work in this area focused on the examination of a proposal for a decision establishing a Community civil protection action programme designed to strengthen Community cooperation through training, information and prevention actions, and two resolutions covering, respectively, the strengthening of Community cooperation in the field of research and Community civil protection cooperation with the CCEE. Owing to objections of principle, linked *inter alia* to a preference for an intergovernmental rather than a Community approach, the Council was not able to achieve the unanimity needed to adopt these texts.

### **R. Justice and home affairs**

The year 1996 was marked by the resolution of a number of institutional questions of principle, such as the determination of the powers of the Court of Justice of the European Communities to apply and interpret three conventions and the setting-up of four multiannual financing programmes, accompanied by a specific decision-making procedure.

The Council was also concerned to ensure the transparency of its proceedings on the basis of its 1995 decision to publish, in the Official Journal, acts and other texts adopted on asylum and immigration matters.

As the European Council, at its meeting in Madrid on 15 and 16 December 1995, had asked it to focus its future activities in the field of

justice and home affairs on programmed priority areas, the Council adopted a resolution laying down the priorities for cooperation for the period from 1 July 1996 to 30 June 1998. The work carried out in 1996, as the following detailed accounts demonstrate, was organised around these priorities.

Leaving aside the number and variety of the legal instruments to which it had recourse, the Council adopted general texts of vital importance (see, for example, the Convention on Extradition) and also specific texts on certain categories of serious crime (five joint actions and five resolutions on combating drugs, four joint actions on combating trafficking in human beings and the sexual exploitation of children, etc.).

In accordance with established tradition, the Italian and Irish Presidents of the Council both held meetings with the European Parliament committees responsible for third-pillar issues; in particular, seven meetings were held with the Committee on Civil Liberties and Internal Affairs and the Legal Affairs Committee. The Irish Presidency took part in the debate which the European Parliament organised on progress made in Title VI areas, as specified in the third paragraph of Article K.6 of the Treaty on European Union.

With regard to the financing of Title VI activities, the Council adopted a decision allocating the appropriations carried over from 1995 (ECU 1 369 000) to cooperative measures with States engaged in a structured dialogue with the European Union and with Latin America, including the Caribbean, to combat drugs, thus enabling 31 projects to be selected in this context. On the basis of the 1996 budget, the Council adopted the Sherlock programme (training, exchange and cooperation programme in the field of identity documents) and the Grotius programme (promotion of exchanges aimed at legal

practitioners), which had been submitted by the Commission, an incentive and exchange programme for persons responsible for combating trade in human beings and the sexual exploitation of children (STOP), which had been submitted by Belgium, and a programme for the exchange and training of, and cooperation between, law enforcement authorities (OISIN), which had been submitted by the Irish Presidency.

The growing volume of activities in Title VI-related areas, the worldwide interconnection of criminal activity and the cooperation agreements concluded by the Community or the Community and its Member States with an increasing number of countries were mirrored in the activities in regard to non-member countries.

Priority was given to relations with the CCEE, Cyprus and Malta. Two ministerial meetings were held in the framework of the structured dialogue, with a programme being agreed for the next few years and a number of questions addressed. For the second half of 1996, the drugs question was designated a priority. Meetings were held with CCEE experts on the topics of organised crime and measures to combat drugs (money-laundering). The Commission prepared a factual information document on the drugs issue. Ministers adopted a series of practical measures covering especially the field of precursors, controlled deliveries and synthetic drugs, and also addressed questions related to judicial cooperation, especially witness protection and the implementation of the action programme of Member States of the European Union and the CCEE on judicial cooperation in the fight against organised crime. Ministers also discussed how to enhance cooperation with a view to fighting against trafficking in human beings. In the meantime, cooperation in the fields of immigration and asylum continued.

The implementation of the transatlantic action plan started in 1996 with two high-level

meetings and an increasing number of meetings of a specialised nature between US and EU experts, e.g. meetings of experts on asylum and immigration-related matters, drugs and organised crime. The US was involved in the elaboration and implementation of recommendations on the Caribbean.

The meeting of drugs and organised-crime experts from the European Union with their Mediterranean counterparts in June in Taormina was the first step in the implementation of the Barcelona Declaration. At the meeting, guidelines for future work were discussed.

In cooperation with the Russian Government, the Irish Presidency and the Finnish Ministry of the Interior organised a conference in Helsinki on 'measures aimed at combating organised crime within the European Union and the Russian Federation and their mutual impact'. Pursuant to the conclusions of the Florence European Council in June 1996, as well as the 1996 action plan for future relations with Russia, the conference sought to identify and define future areas of potential cooperation between Member States' and Russian authorities in the fight against organised crime.

The Italian Presidency organised a high-level meeting in Rome of experts from the Andean States and the European Union, which was the first follow-up to the joint declaration agreed in September 1995 between the Member States of the European Union, the Commission and the ministers of the Andean Pact States. It was considered that cooperation needed to be intensified, especially in regard to police cooperation and money-laundering.

An increasing number of representatives of non-member countries took part in seminars on matters of interest to them, which came within the framework of Title VI activities.

**(i) Asylum and immigration**

In the interests of ensuring appropriate conditions for the reception of asylum applicants and in order to avoid distortions within the Union, the Council continued its discussions with a view to reaching agreement on a recommendation on conditions for the reception of asylum seekers, but it was not possible to reach agreement in 1996.

As regards the interpretation of Article 1A of the Geneva Convention on refugee status, a joint position on the harmonised application of the definition of the term 'refugee' was drawn up.

The importance of the problems of illegal immigration and illegal employment prompted Member States to take countermeasures. In order to ensure a comparable level throughout the Union and thus avoid distortions between Member States, the Council adopted a recommendation on harmonising means of combating illegal immigration and illegal employment and improving the relevant means of control, and also a recommendation on combating illegal employment of nationals of third countries.

As the integration of persons residing legally in a Member State of the Union remains one of the main objectives of immigration policy, the Council adopted a resolution on the status of third-country nationals residing on a long-term basis in the territory of the Member States. This resolution aims, among other things, at greater stability and security both in daily life and in work for the persons concerned.

The Council, anxious that the texts which it has adopted regarding admission of third-country nationals should be effectively applied in all Member States, adopted, towards the end of 1995, a decision on monitoring those texts. The implementation of this decision began in 1996.

After adopting in 1995 a resolution on burden-sharing, the Council took a decision on an alert and emergency procedure for burden-sharing with regard to the admission and residence of displaced persons on a temporary basis. This decision aims at ensuring that the abovementioned resolution is implemented without delay.

With the aim of maintaining at a relatively low level the number of persons residing illegally in a Member State of the Union and who should be expelled, the Council adopted a recommendation on concerted action and cooperation in carrying out expulsion measures.

The readmission of persons who, for one reason or another, cannot be admitted into the Union, remains a major problem of immigration policy, since a substantial number of third countries of origin are not readmitting their own nationals. The Council felt that it was necessary to provide, on a case-by-case basis, for readmission clauses in future mixed agreements and approved conclusions concerning readmission clauses to be inserted into such agreements, laying down standard clauses for that purpose.

Each Member State has a large number of residence permits, which often differ greatly from one another. This also makes it difficult to guarantee the security of these documents and makes it much easier to forge them or to produce false documents. To remedy this, the Council adopted a joint action on a uniform format for residence permits, based on the uniform format for visas decided on in Council Regulation (EC) No 1683/95.

Work on the draft convention on the crossing of external frontiers progressed significantly during the first half of the year through the conclusion of an agreement on most of the technical questions outstanding. This decisive step forward towards an overall agreement served to crystallise three political issues: on the procedure for

adopting implementing measures (very encouraging efforts were recorded), while the question of the powers of the Court of Justice and the traditional problem of territorial application remain to be settled before this instrument can be concluded.

Noting that many people arrive in the Union without having the permits and documents required, the Council adopted a joint position on pre-frontier assistance and training assignments. The basic objective of the joint position is to assist local officials responsible for checks on behalf of either local authorities or airlines.

Exchanges of information on asylum and immigration respectively continued within the Centre for Information, Discussion and Exchange on Asylum (CIREA) and the Centre for Information, Discussion and Exchange on the Crossing of Borders and Immigration (Cirefi). Cirefi and CIREA undertook an assessment of their activities and working methods with the aim of giving further thought to their working methods, the better to achieve the objectives assigned to them. The two bodies kept up their contacts with third countries, in particular with the CCEE in the context of the structured dialogue and with experts from the United States in the context of the transatlantic dialogue.

The Council adopted a joint action on airport transit arrangements, which makes a transit visa compulsory for nationals of countries on the list annexed thereto. It also adopted a recommendation on consular cooperation regarding visas, which constitutes a practical continuation of the common visa policy as embodied in the regulation on the common list of third countries whose nationals must be in possession of visas, and in the regulation on the uniform format for visas, both adopted in 1995. Since the latter regulation requires certain practical uniform arrangements, the K.4 Committee noted that agreement had been reached on the practical arrangements for completing the uniform format for visas.

The exchange of technical information and the development of mechanisms and tools for

cooperation in combating illegal immigration were continued and, in particular, a coded reference system to alleviate the language problems encountered by European specialists in document falsification and a guide to the detection of false and falsified documents for officials carrying out checks at frontiers were drawn up. A 'Handbook of genuine documents of the Member States of the European Union', intended for the same officials, is also being finalised. The Council also adopted, on a proposal from the Commission, a joint action introducing a programme of training, exchange and cooperation in the field of identity documents, known as the Sherlock programme.

Acting on instructions from the Council, a draft convention establishing the Eurodac system for the collection, storage, exchange and comparison of fingerprints of asylum applicants was drawn up by the Italian Presidency in March 1996. This draft has been the subject of detailed scrutiny which will continue over the coming months.

## **(ii) Police and customs cooperation**

### *(a) Spheres of action*

In 1996 a considerable proportion of the activities covered by Title VI was devoted to the fight against drugs, as part of an integrated approach covering the three pillars. The increased importance of this area reflects the increased problem throughout the Community and the acknowledged seriousness of the drugs problem, as demonstrated only too clearly by the continued emphasis of successive European Councils. During 1996, the relevant bodies actively started to implement the 66 measures mentioned in the report of the group of experts on drugs approved by the Madrid European Council. As stated in the report to the Dublin European Council, substantial progress has been made, especially in activities covered by Title VI.

In this context an ambitious global programme was launched, with the main focus on several actions in the field of law enforcement. Emphasis

was also put on actions relating to intervention at external frontiers and a joint action on cooperation between customs authorities and business organisations and a resolution on drawing up police/customs agreements on combating drug trafficking were decided on. Further to the conclusions of the Madrid and Florence European Councils, work began on improving cooperation with Latin America and the Caribbean on the fight against drugs.

In terms of intra-EU actions, progress was achieved with the resolution and report on the prevention and detection of illicit cultivation and production as well as a resolution and report on drug tourism. The fight against drugs also led to measures in the field of judicial cooperation, including in particular the resolution on sentencing for serious drug trafficking, and in the area of money-laundering. The Council also adopted a joint action on the approximation of legislation and practices between Member States of the European Union with a view to tackling drug addiction and preventing and combating drug trafficking.

In addition to the decisions taken with regard to combating drug trafficking, a number of measures designed to increase the effectiveness of the fight against crime were adopted in 1996, with regard both to police and judicial cooperation. Hence, the Council adopted a statement on organised crime which reaffirms its determination to combat it and sets out a series of proposals for that purpose.

On the basis of the conclusions of the 1995 report on organised crime in the European Union and the work of the K.4 Committee, the Council held a detailed debate on ways of stepping up the campaign against organised crime. As a result of the debate, the Presidency sent the European Council a report containing proposals to that effect.

The Council bodies assessed the internal and external threats posed by terrorism to the

European Union. The Council adopted a joint action relating to the creation and maintenance of a 'Directory of skills and expertise related to combating terrorism' intended to facilitate anti-terrorist cooperation between European Union Member States.

On the basis of the arrangements concluded in December 1995 for the exchange of operational information in this area, seminars were held on recent trends in Islamic extremism and on the use of telematic networks and of improvised weaponry by terrorist groups.

The Council discussed the question of work carried out at Union level on crime prevention with a view to undertaking further action, if necessary. A seminar on crime prevention, funded by the European Community, was organised.

Various seminars were held to provide appropriate responses to the serious and complex problem of urban violence in cities. The conclusions of these seminars should make it possible to finalise a series of measures to combat the phenomenon of urban violence.

Following the seminar on violence in sport in the run-up to the European football championship, the Council adopted a recommendation on guidelines for preventing and restraining disorder connected with football matches. Another seminar was held on violence in sport in order to have a detailed review of the measures taken during the European football championship held in the United Kingdom and to draw up a list of measures to be taken in preparation for the 1998 World Cup, which is to take place in France.

#### *(b) Police cooperation*

Following the agreement reached at the European Council in Florence, the signing of the protocol on the role of the Court of Justice represented an important contribution to the rapid entry into force of the Europol Convention.

Preparatory work for the effective start of Europol was actively pursued in 1996. The Council noted that there was agreement in principle on the financial regulation and on the regulation on the rights and obligations of liaison officers. Guiding principles on the regulation on secrecy and a considerable number of provisions relating to the staff regulations of officials, rules relating to the analysis of files and guidelines for the computer system were adopted during the year.

At the same time, the EDU, the predecessor of Europol, progressively increased its activities. Its mandate was extended to include trafficking in human beings. Exchange of information between Member States through the ELO is the main activity of the EDU. The third-pillar bodies have regularly followed these proceedings and the issue papers produced by the EDU.

In the context of police training, the main questions examined were the following: the training of police officers for peacekeeping missions, criteria for the training of law enforcement officers, assistance to the police of the countries of central and eastern Europe and the possibilities for European Union participation in existing police academies.

It was agreed that particular attention should be given to the organisation of joint training programmes for officials from law enforcement agencies. There will be an exchange of information about the organisation of these programmes in the framework of the implementation of the joint action concerning the creation and maintenance of a 'Directory of specialised competences, skills and expertise in the fight against international organised crime', in order to facilitate law enforcement cooperation between the Member States of the European Union.

A seminar on police/customs cooperation was held, which was attended *inter alia* by representatives from the CCEE and the US.

The Council decided to publish its resolution of 17 January 1995 on lawful interception of telecommunications in the Official Journal. Work has continued on the legal and technical issues in relation to the interception of new personal satellite telecommunication systems and on the question of the signing by interested non-EU States of the memorandum of understanding on lawful interception of telecommunications.

Progress has been maintained in the examination of the standardisation of police radio communication systems and of cooperation in the field of forensic and technical policing covering areas such as drugs and counterfeit banknote recognition systems.

The Council adopted a joint action concerning the exchange of information on the chemical profiling of drugs to facilitate improved cooperation between Member States in combating drug trafficking. Furthermore, a drug purity indicator system was approved.

### (c) *Customs cooperation*

Following the conclusions of the European Council in Florence, a protocol on the interpretation, by way of preliminary rulings, by the Court of Justice of the Convention on the Use of Information Technology for Customs Purposes was drawn up and signed by the Member States. The system provided for in the protocol is similar to that adopted by the Council in the protocol on the interpretation, by way of preliminary rulings, by the Court of Justice of the Europol Convention.

Examination of the draft 'Customs 2000' joint action also continued.

Work on the draft convention on mutual assistance between customs administrations (Naples II) concentrated on the review of the current 1967 convention, known as the Naples Convention. Some questions are still outstanding but compromises have been reached on a number of issues.

The Council also approved the organisation of joint customs surveillance operations at the external frontiers of the Union for the year 1996. It also approved revised arrangements for future joint customs surveillance operations at external frontiers, replacing the existing practice of approvals on an annual basis and providing for future operations to be carried out more efficiently. Genuine progress has also been made on checks on containers. A joint action concerning participation by the Member States in the strategic operation planned by the Customs Cooperation Council to combat drug smuggling on the Balkan route is ready for adoption.

In order to consolidate the already cooperative relationship between the customs authorities of the Member States and business organisations operating in the European Union, the Council adopted a joint action to promote cooperation between customs and business organisations in combating drug trafficking.

The Council adopted measures to increase cooperation between the customs administrations of the Member States in order to fight against counterfeits. These measures can be regarded as complementary to Regulation (EC) No 3295/94 of 22 December 1994 laying down measures to prohibit the release for free circulation, export, re-export or entry for a suspensive procedure of counterfeit and pirated goods.

### **(iii) Judicial cooperation**

In order to foster mutual knowledge of legal and judicial systems and facilitate judicial cooperation between Member States, the Council adopted two important instruments: a joint action concerning a framework for the exchange of liaison magistrates and a joint action establishing a multiannual programme (five years) of financing through the Community budget (ECU 9 million, of which ECU 800 000 was for 1996) for exchanges, training meetings and studies for legal practitioners (judges, contact/liaison magistrates, lawyers, civil servants, etc.) (Grotius programme).

#### **(a) Judicial cooperation in criminal matters**

Following the conclusion in 1995 of the convention concerning the simplified extradition procedure between the Member States of the European Union, the Council established a convention on 27 September 1996 relating to extradition between the Member States of the European Union. On the same day, all Member States signed the convention in Dublin. The conclusion of this second convention is an important step in the strengthening of judicial cooperation in criminal matters between the Member States. It is a response to the call of the European Council in Brussels in October 1993 which voiced a concern that the creation of an area without frontiers should not take place to the detriment of the security of the European citizen. As a result of systematic and organised cooperation between Member States, the convention considerably enlarges the number of cases liable to lead to extradition.

The Council adopted the explanatory report on the convention relating to the simplified extradition procedure between the Member States of the European Union, adopted last year.

Following the input of the Vienna and Stockholm conferences on trafficking in women and the sexual exploitation of children respectively, and the recent tragic events in Belgium and other Member States involving the abuse of children, four initiatives were taken to combat trafficking in human beings and sexual exploitation of children.

The Council approved joint actions on: extension of the mandate of the Europol Drugs Unit to cover trafficking in human beings; establishment of a programme of encouragement for exchange and training of persons responsible for dealing with trafficking in human beings (sexual trafficking of persons (STOP)); creation of directories of centres of excellence to combat all forms of crime within the mandate of the EDU focusing *inter alia* on trafficking in human



beings; a common approach to the definition of the concepts of trafficking in human beings and the sexual exploitation of children and adults and measures to enhance the position of the victims of such offences; improved judicial cooperation at international level.

The ministers for justice and home affairs agreed that these measures represent a major improvement in combating this form of crime. Ministers discussed a range of other measures which might be adopted to strengthen the instruments politically agreed to with a view to responding further in a concrete and practical way to the concerns of the people of Europe.

The European Council in Florence reaffirmed the Union's determination to combat racism and xenophobia with the utmost resolve and approved the principle underlying the establishment of a European monitoring centre. Taking into account the conclusions of the European Council (Cannes, June 1995) and the report of the Consultative Commission on Racism and Xenophobia, a joint action was drawn up with a view to facilitating judicial cooperation in the fight against racism and xenophobia and agreement was reached on a common understanding of how to define offences with a racist content. In addition, the Council and the representatives of the governments of the Member States meeting within the Council adopted a resolution on the European Year against Racism (1997), the objectives of which are, on the one hand, to highlight the threat posed by racism, xenophobia and anti-Semitism to respect for fundamental rights and economic and social cohesion and, on the other, to promote the exchange of experience and disseminate information on good practice and effective strategies. In its conclusions on racism and xenophobia, the European Council in Dublin asked the Council to complete its work with the aim of creating in the near future a European monitoring centre on racism and xenophobia which would cooperate closely with the Council of Europe.

The first protocol to the Convention on the Protection of the European Communities' Financial Interests was drawn up by the Council and signed by the representatives of the Member States on 27 September. It is aimed more particularly at corruption which harms the Communities' financial interests, and was amplified by a protocol on the interpretation of the convention by way of preliminary rulings by the Court of Justice of the European Communities, drawn up and signed by the Member States on 29 November 1996. In addition, a draft second protocol to the convention is under consideration, dealing in particular with the liability of legal persons, confiscation and laundering, and with mutual assistance.

A draft convention on the fight against corruption involving officials of the European Communities or officials of Member States of the European Union was sent to the Council by the Italian Presidency, on the basis of the first protocol to the Convention on the Protection of the European Communities' Financial Interests, mentioned above. The draft convention is, however, wider in scope than the protocol as it covers active and passive corruption also in cases where the European Communities' financial interests are not involved. A draft convention on mutual assistance in criminal matters between the Member States of the European Union is currently being prepared in Council bodies.

Work continued during 1996 on the draft convention on driving disqualifications.

Lastly, the Council adopted resolutions on sentencing for serious drug trafficking and on individuals who cooperate with the judicial process in the fight against international organised crime. It also adopted a joint action putting into legal form the undertakings given by the governments of the Member States as regards the approximation of their laws and practices on the fight against drug addiction and illegal drug trafficking, penalties, combating synthetic

drugs, and greater operational cooperation on the illicit cultivation of drugs, drug tourism, etc.

*(b) Judicial cooperation in civil matters*

The Council gave instructions that work should continue with the aim of reaching subsequent agreement on the draft convention on the simplification of the service of judicial and extrajudicial documents.

Work has continued on the draft convention on jurisdiction, recognition and enforcement of judgments in matrimonial matters and the exercise of parental authority over the children of the couple on dissolution of marriage ('Brussels II' Convention). Further work will be facilitated in the future as the Convention on the Protection of Children was signed in The Hague on 19 October 1996, under the auspices of The Hague Conference. During the negotiations,

which were held in The Hague, the Member States obtained the insertion of a disconnection clause in The Hague Convention, which guarantees the possibility of laying down rules which go further in the draft 'Brussels II' Convention.

The Member States signed the convention on the accession of Austria, Finland and Sweden to the 1968 Brussels Convention on Jurisdiction, Recognition and Enforcement of Judgments in Civil and Commercial Matters, and to the protocol on its interpretation by the Court of Justice, with the adjustments made thereto by subsequent accession conventions, and the convention relating to the accession of Austria, Finland and Sweden to the 1980 Rome Convention on the Law applicable to Contractual Obligations, and to the protocols on its interpretation by the Court of Justice, with the adjustments made thereto by subsequent accession conventions.

## IV. EXTERNAL POLICIES

### **A. Common foreign and security policy (CFSP)**

The year 1996 saw a continuation of organisational improvements to the common foreign and security policy (CFSP) with, on the one hand, the adoption of measures to intensify cooperation between the institutions of the European Union and those of the Western European Union (WEU), particularly with a view to increasing its overall efficiency and, secondly, establishment of guidelines on the procedure for appointing European Union Special Envoys under the CFSP. The procedure has been used to appoint three Special Envoys: for Mostar, the Great Lakes region and the Middle East peace process.

In terms of activities, 19 joint actions were decided on (two of them to supplement and four to amend actions undertaken the year before or even, in the case of dual-use goods, since 1994). Ten common positions were adopted, two of them supplementing or extending positions determined in 1995. The Council also adopted, for the first time, decisions under Article J.4(2) of the Treaty on European Union (TEU), one relating to evacuation operations for nationals of the Member States with the help of the WEU and the other on use of the WEU to implement the Union's joint action in the Great Lakes region.

Modernisation of the communications system (Cortesy) linking the Ministries of Foreign Affairs in the Member States with the Permanent Representations, the Commission and the Council Secretariat in Brussels continued.

The Ministries of Foreign Affairs of the Member States and the Commission signed a memorandum

of understanding on the co-location of diplomatic and consular missions: already several Member States are taking part in co-location projects, such as those in Minsk (Belarus) or Almaty (Kazakhstan), and are examining other projects, in particular the joint building of an embassy complex in the new capital of Nigeria (Abuja). On that basis, the Council adopted a decision on the common position on the possible co-location of diplomatic missions.

#### **(i) Human rights**

In 1996 the European Union continued to give an important place to respect for democratic principles and human rights and adopted many initiatives, both on behalf of citizens and in the external relations sphere.

In its relations with third countries, in the light of persistent serious breaches of human rights in many countries, the Union continued to act by making some 80 representations and around 35 declarations condemning such practices and violations. In some cases, those responses were combined with measures such as amendment of the content of cooperation programmes, postponement of signings required for the implementation of agreements or cooperation programmes and even suspension of cooperation, while seeing to it that the population of the country concerned, in particular the poorest sections, did not suffer as a result. In accordance with the Council conclusions of 1995 on human rights in Community agreements with third countries, the Commission used the financial instruments entered in the Community budget heading 'European initiative for democracy and the protection of human rights' to help strength-

en the rule of law, the process of democratic transition and civil society, both in developing countries and the countries of central Europe and the independent States of the former USSR. It adopted a report on the implementation of these actions for 1995, which offers an overall view of the aims and priorities in view.

The importance which the Union attaches to respect for democratic principles and human rights was also shown in its contribution to the work of international organisations and forums, in particular the United Nations General Assembly and Commission on Human Rights, the Conference on the Human Dimension of the Organisation for Security and Cooperation in Europe and the Council of Europe, as well as the World Congress against Commercial Sexual Exploitation of Children, held in Stockholm.

#### **(ii) Diplomatic and consular protection**

Under the provisions of the Treaty relating to European citizenship, the representatives of the governments of the Member States, meeting within the Council, adopted a decision on the establishment of an emergency travel document whereby a national of a Member State which is not represented in the third country in which he finds himself — and whose passport or travel document has been lost, stolen or destroyed or is temporarily unavailable — may be issued with an emergency document valid for a single journey by the representation of another Member State, with the authorisation of his Member State of origin. In addition, on the basis of a 1995 decision regarding protection for citizens of the Union by diplomatic and consular representations, an information brochure is being prepared to inform citizens of the Union of consular protection measures from which they may now benefit in third countries.

The Council adopted a decision relating to operations to evacuate nationals of Member States when their safety is endangered in a third country, which allows the Council, when it decides

on such an operation, to have recourse to the WEU.

Exchanges of information continued in the Council on abductions of children, the situation in prisons in certain third countries and on joint updating of national advice on travel in certain 'risk countries'. Representations were made on behalf of the Union to third countries regarding abductions of children and the situation of European prisoners held in harsh conditions in some of these countries.

#### **(iii) Political dialogue**

Political dialogue was intensified and extended with the aim of explaining the Union's objectives to third countries and sharing these objectives with them.

At the end of 1996, the Union was holding institutionalised political dialogues with the following countries or regional organisations: Europe ('structured' dialogue with the associated countries, Albania, Russia, Turkey, Ukraine, EFTA/EEA); North America (United States and Canada); Latin America (Rio and San José Groups, Mercosur and Chile); Asia-Pacific region (ASEAN, China, South Korea, India, Japan, Pakistan, Sri Lanka, Australia and New Zealand); Gulf/Middle East (GCC and Israel); Africa (OAU and SADC); non-aligned movement. Political dialogue also figures on the agenda of cooperation councils with other countries, e.g. Egypt, Morocco and Tunisia.

#### **(iv) International organisations and conferences**

##### *United Nations*

At the 51st United Nations General Assembly, the President-in-Office of the Council stressed the active support given by the Union for the maintenance of peace and international security and its commitment to the organisation — in particular to its structural and financial reform process.

The Union had repeatedly pointed out that under the United Nations Charter all Member States were obliged to discharge their arrears and pay their assessed contributions to the regular and peacekeeping budgets in full, promptly and without conditions. The Union also emphasised that the Member States of the Union — whose contributions accounted for more than 35 % of the regular budget and more than 37 % of the peacekeeping budget — had always honoured that commitment and that it was therefore up to all the Member States of the organisation to follow that example in order to resolve its current financial crisis.

In the context of financial reforms intended to guarantee the long-term stability of the United Nations in this area, the Union also submitted a series of proposals designed to achieve a comprehensive reform of finances, including adjustment of the scales for assessed contributions to achieve a more realistic reflection of each UN Member State's ability to pay. As regards ongoing modernisation of the structures and working methods of United Nations institutions, the Union launched an appeal for a revitalised organisation which would respond more effectively to new needs, formulating proposals and specific commitments to strengthen and revitalise the effectiveness of United Nations activities in the economic and social spheres.

At the World Food Summit which took place in Rome from 13 to 17 November 1996, which the European Union prepared very assiduously, the President-in-Office of the Council emphasised that a political, social, and economic environment of peace and stability was an essential precondition for States to give priority to food security and to combating poverty. Respect for human rights and basic freedoms is inseparable from such a political environment. In addition to a democratic political system, a transparent and effective legal system, and transparent and accountable government and administration, appropriate participation of all members of the

population in decisions concerning their food security must also be guaranteed.

### OSCE

The activities of the OSCE culminated in the holding of the Lisbon Summit attended by Heads of State or Government and ministers for foreign affairs of 54 States (including the Presidency on behalf of the Union) participating in the OSCE (participation of the Federal Republic of Yugoslavia being currently suspended), representatives of OSCE partner countries in cooperation (Algeria, Egypt, Israel, Morocco and Tunisia) and representatives of United Nations organisations and international organisations active in areas covered by the OSCE. *Inter alia*, the summit adopted the Lisbon Declaration and a declaration on a security model for the 21st century. The Union took an active part in the review meeting and the summit in order to help reinforce the role of the OSCE in the security architecture and improve the effectiveness of the organisation.

As regards implementation of the decisions of the 1995 Budapest ministerial meeting, the Union took an active part in the weekly proceedings of the OSCE Permanent Council in Vienna, whose agenda was largely dominated by the problems of former Yugoslavia and — in special meetings — by discussions on the security model, and the work of the Senior Council of the OSCE, meeting in Prague in March. In order to contribute to the strengthening of collective security in Europe on the basis of OSCE principles, the Union made a major contribution to the drawing-up of a common and comprehensive security model for Europe in the 21st century.

As part of preventive diplomacy and peacekeeping, the Union supported OSCE missions in the countries concerned. It gave its support to the OSCE Assistance Group in Chechnya and the mission by Mr Felipe González, representative

of the OSCE Chairman-in-Office, relating to local elections in Serbia.

The Union also assisted the OSCE in the tasks entrusted to it pursuant to the Paris agreements on peace in Bosnia and Herzegovina by adopting a joint action providing for the sending of 505 Union supervisors in the context of operations to oversee the elections in Bosnia and Herzegovina supervised by the OSCE.

Finally, the Union submitted contributions to the various meetings and seminars organised by the OSCE throughout the year on human and economic questions, in particular on the occasion of the fourth Economic Forum devoted to the economic aspects of security and the role of the OSCE.

#### *Regional cooperation in the Baltic Sea region*

The European Union stepped up cooperation with the Baltic Sea region and is playing an increasingly important role in the Council of the Baltic Sea States (CBSS), which is an important forum for contacts between the Union, the Baltic States, Poland and Russia.

The Presidents of the Commission and of the Council took part in the Visby Summit, in May 1996, at which the Commission submitted a document entitled 'Baltic Sea region initiative', stressing the need for intensified coordinated action in the region. The Visby Declaration and the action programme, which were adopted by the ministers for foreign affairs of the 11 Member States of the CBSS at the meeting in Kalmar in July 1996, set out the broad outlines of regional cooperation. The Commission chaired the CBSS Working Party on Economic Cooperation. A good example of the intensification of cooperation is the work being carried out in the Task Force on Organised Crime — comprising the personal representatives of the prime ministers — in which the Commission also takes an active part. The transfrontier programme for the Baltic

region is administered and coordinated by the Baltic Coordination Committee, the members of which are the Commission, and the countries of the Baltic region including Russia.

#### *Regional initiatives in south-eastern Europe*

Throughout 1996, the Union was engaged in implementing the intentions stated in the declaration on stability and good-neighbourly relations in south-eastern Europe adopted at Royaumont in 1995 by ministers from 30 countries on the Union's initiative in the margins of the Paris Conference on peace in Bosnia and Herzegovina, based on the procedure followed for the introduction of the Stability Pact in 1995. Hence, follow-up meetings of countries present at Royaumont were organised.

The Union has also supported the south-eastern Europe cooperative initiative, launched by the United States, with the purpose of enhancing regional stability through the development of economic and environmental cooperation.

On the basis of a Commission report on the prospects for the development of regional cooperation and what the Community could do to foster such cooperation, the Council defined a regional approach principally directed towards those countries in the region for which the Council has not adopted negotiating directives with a view to an association agreement and which makes the establishment of closer ties between the Union and these developing countries dependent on the development of cooperation between the latter. Visits at ministerial level were made by the Presidency and the Commission to four of the five countries concerned with the aim of explaining this regional approach. The Council backed the Commission report on common principles for future contractual relations with certain countries in south-eastern Europe and felt it should serve as a basis for defining the Union's future relations with the region, placing particular emphasis on conditionality and, where applicable, on full compliance

with the provisions of the Dayton/Paris peace agreements, the basic agreement (Erdu) and the obligation of these States under international law to readmit their citizens.

Hence, the development of the contractual relations which the Union wishes to set up with each of these countries is linked to the progress they make in establishing cooperation among themselves. The Commission has been asked to identify, along with the countries concerned, the type of contractual relations which may be established with the Union.

#### **(v) Security**

Discussion continued on the European security architecture with the aim of strengthening peace, stability and security throughout the continent and ensuring that, with that end in view, the institutions with responsibility for security are mutually reinforcing. In this connection the involvement of the CCEE and other associated countries with CFSP activities, including security matters, is also a factor making for their integration into that new architecture. The Union's active contribution to the OSCE exercise on a common and comprehensive security model for Europe in the 21st century pursues the same objective.

Throughout the year, Member States engaged in regular consultation in order to ensure consistency and unity in the presentation of their positions and in the conduct of Union activities on the international stage. Thus, in the various international bodies and conferences on disarmament and non-proliferation, the Union was usually able to submit a position, which made it easier to achieve its objectives.

The conference to review the 1980 Convention on the Use of Certain Conventional Weapons, commonly referred to as 'inhuman' weapons, which was suspended at the end of September 1995, concluded in May 1996 with results which partially met the Union's objectives to the extent

that an additional protocol was adopted banning blinding lasers, the scope of Protocol II (on mines) was extended and measures to restrict and prohibit the use and transfer of mines were strengthened.

The Council adopted a further joint action which includes not only political and diplomatic aspects, along the lines of the first joint action of May 1995, but also arrangements for assistance in mine clearance. This new action reflects the Union's commitment to the final objective of total elimination of anti-personnel mines. A further contribution by the Union of ECU 7 million to the United Nations Voluntary Trust Fund may be followed by other specific actions which it might call on the WEU to help implement.

The Council also adopted a decision supplementing its 1995 decision on anti-personnel mines by providing, as part of the Union's contribution to the implementation of the agreements signed in Paris in December 1995, for emergency aid of ECU 3.6 million to the United Nations Fund for Assistance in Mine Clearance in Bosnia and Herzegovina and in Croatia.

The Council adopted a common position concerning preparation for the Fourth Review Conference of the Biological and Toxic Weapons Convention, which aims to promote universal application of the convention and to reinforce it by encouraging *inter alia* the adoption of legally binding and effective verification arrangements.

As a further contribution to non-proliferation, the Council adopted a joint action on participation of the European Union in the Korean Peninsula Energy Development Organisation (KEDO), whereby KEDO was granted a financial contribution of ECU 5 million for 1996. The Council also approved negotiating directives, on the basis of which the Commission is conducting negotiations with the founder members of KEDO with the aim of achieving the conditions for

participation by Euratom in this undertaking, the purpose of which is to find an overall solution to the issue of nuclear proliferation in the Korean peninsula by the installation of appropriate nuclear reactors.

Particular importance was attached to the development of working relations between the Union and the WEU under the current Treaty provisions. The Council adopted the two abovementioned decisions in which the Union, in accordance with Article J.4(2), calls on the WEU to elaborate and implement actions which have defence implications in the sense that they involve the use of military means. In addition, a number of practical arrangements were adopted to reinforce the working links between the two organisations which relate to official transmission of documents between them, updating and extension of cooperation between secretariats and the development of methods for information and consultation between the European Commission and the WEU.

In addition, the Union identified areas possibly requiring WEU intervention, in particular peace-keeping in Africa and assistance with mine clearance.

Discussion on a European armaments policy continued, particularly on the basis of a Commission communication on measures which could be taken in the Community framework and in the framework of Title V of the Treaty on European Union, the characteristics of defence-related industry and matters relating to the intra-Community transfer of arms and arms procurement.

The Council updated the arrangements on export controls for dual-use goods to bring them into line with the undertakings given by Member States under international treaties and non-proliferation arrangements. After successive amendments and a further substantial adjustment necessitated by the conclusion of the Wassenaar Agreement, the Council adopted a

consolidated version of the decision establishing these control arrangements.

#### **(vi) Drugs**

The approach advocated by the Union resulted in greater coordination of activities under the three pillars of the Treaty on European Union, thus allowing the efforts made by the Union in combating this scourge — in all its aspects — to be stepped up through the combined action of the instruments afforded by the Treaty.

In connection with the cooperation which was established through the initiative on Latin America and the Caribbean, work continued on the identification and development of areas for specific action. An appraisal mission accordingly went to Latin America on several occasions and submitted suggestions to the Council.

The Union also expanded its cooperation with third countries, on the one hand, by means of meetings of experts with the CCEE and Russia and, on the other hand, in connection with the adoption of the regulation on north-south cooperation in the campaign against drugs and drug addiction. It also approached a number of third countries in order either to encourage them to take action against production and trafficking or to dissuade them from adopting economic and financial laws which might promote money-laundering (the Seychelles in particular were approached when adopting the EDA — Economic Development Act).

#### **(vii) Terrorism**

The European Union continued to provide tangible evidence of the importance it attaches to combating terrorism in all its forms and in all geographical areas. It took the view that every effort must be made to ensure that the most effective possible use was made of all the instruments that the Treaty makes available to it in order to help eradicate terrorism. To that end, it took concrete steps towards more active



cooperation in sharing expertise on countering terrorism.

In its external relations, the Union actively supports the widest participation of third countries in international instruments in the campaign against terrorism and it accordingly promotes multilateral cooperation in appropriate international bodies. It is notably in this connection that the 'Palermo Declaration' was published following the meeting of Union ministers for foreign affairs and that the Union played a decisive role at the anti-terrorist summit at Sharm el Sheikh. In the context of its bilateral relations, the Union emphasises the importance of establishing a specific dialogue on these topics, in particular by setting up programmes of assistance for third countries designed to complement the bilateral initiatives taken by Member States in this area.

## **B. European Economic Area — Relations with the EFTA States**

At its fifth and sixth meetings the EEA Council assessed the overall functioning and development of the agreement and considered a number of commercial policy matters (veterinary issues, processed agricultural products, maritime cabotage, rules on cumulation and mutual recognition agreements) and institutional matters. In particular on the basis of the activity report submitted by the chairman of the Joint Committee, the Council was able to note that the agreement was working well and stressed the importance of the EFTA States also belonging to the EEA taking part in the development and completion of the internal market.

As provided for by the joint declaration adopted by the EEA Council, each EEA Council was accompanied by a meeting between the prime ministers of the EFTA States which are members of the EEA, on the one hand, and the President of the EU Council and the President of the Commission, on the other hand. Informal exchanges of views at ministerial level thus took place at the EEA Councils on foreign policy matters and security issues of common interest. Cooperation

in this sphere resulted, moreover, in EEA members being associated with several Union declarations and initiatives.

During 1996, the EEA Joint Committee held 36 meetings. It adopted 84 decisions and, under the 'continuous information and consultation process' provided for in Article 99 of the EEA Agreement, held consultations on a number of important issues.

In view of the fact that negotiations with Iceland, Norway and Switzerland designed to make adjustments to the preferential arrangements existing between the Community and those States in the processed agricultural products sector, necessitated by the implementation from 1 July 1995 of the agricultural agreements concluded during the Uruguay Round, could not be completed by 1 January 1996, the Council adopted a regulation extending the autonomous measures adopted in 1995 for the period 1 January 1996 to 30 June 1996.

Following the accession of Austria, Finland and Sweden to the European Union, it was found necessary to adapt the arrangements for importing fishery products and agricultural products originating in Iceland into the Community. An additional protocol to the EC-Iceland free-trade agreement and an agreement in the form of an exchange of letters concerning certain agricultural products were therefore concluded between the Community and Iceland.

An agreement in the form of an exchange of letters between the European Community, of the one part, and the Kingdom of Norway, of the other part, concerning certain processed agricultural products was concluded. The agreement adapts Protocol 2 to the agreement between the European Economic Community and the Kingdom of Norway, to take account of the accession of the Republic of Austria, the Republic of Finland and the Kingdom of Sweden to the European Union and the implementation of the Uruguay Round agreements.

During 1996, the negotiations with Switzerland for the conclusion of new agreements on the free movement of persons, research and technological development, agriculture, mutual recognition in relation to conformity assessment, public contracts and inland and air transport were pursued. It should be noted that these six sets of negotiations come under the policy defined by the Council for the future development of relations with Switzerland, following the latter's decision not to take part in the European Economic Area (December 1992).

The Council examined the progress of the negotiations on several occasions. It took note of the considerable progress achieved in the various sectors and in particular with regard to the free movement of persons. It thought that it should be possible to proceed to the final stage of the negotiations once a number of technical problems had been resolved. It also expressed the hope that a rapid conclusion of the inland transport agreement on the basis of a set of common basic principles could be achieved. Finally, the Council again underlined the importance of the global nature of the negotiations and the need for a balanced solution between the different sectors and a parallel shouldering of commitments in accordance with the directives approved in 1994.

Pending the outcome of the negotiations with Norway and Switzerland for the conclusion of additional protocols amending the preferential agreements that those States had concluded with the Community in order to take account of the accession of Austria, Finland and Sweden to the European Union, autonomous measures were extended for 1996 with regard to Switzerland, in view of the serious difficulties then persisting in relations with Norway in the sphere of trade in processed agricultural products.

The Council authorised the Commission to negotiate with Switzerland an amendment to the free-trade agreement of 27 July 1972 in order to add a new protocol on mutual assistance in customs matters, in view of the fact that the free-

trade agreement did not contain any specific provision on methods of administrative cooperation in respect of the application of the various provisions it contained, with the exception of those relating to the definition of the concept of 'originating products'.

In order to avoid the disruption of traditional trade and to maintain existing reciprocal preferences, it was thought necessary to make technical adjustments to the free-trade agreement with Switzerland by introducing reduced specific amounts. Technical adjustments are currently the subject of negotiations with Switzerland on the protocol relating to processed agricultural products. Pending the outcome of the negotiations, the Council adopted autonomous measures to maintain the level of reciprocal preferences existing before 1 July 1995.

### **C. Relations with the associated countries of central and eastern Europe (CCEE)**

Major progress was made in 1996 in the pre-accession strategy which was defined by the Essen European Council and confirmed by the Madrid European Council. In this respect, the enhanced political dialogue and the structured dialogue established with the CCEE continued to develop. These countries were increasingly involved in CFSP activities — in particular in a joint action and in a number of common positions and declarations and in several initiatives — with regular talks being held at expert level, including in the security field. There was also an extension of cooperation in international organisations and forums, in particular in the United Nations.

Suggestions were made to consolidate and improve the enhanced political dialogue. They also concern an increase in informal talks, flexibility and pragmatism in the implementation of the revised guidelines and better preparation of agendas. Other suggestions were made regarding an increase in informal cooperation between the associated countries themselves, in particular when preparing their meetings with the Union.

Pragmatic improvements were also made to the structured dialogue on matters coming under the first pillar, by establishing an indicative programme of meetings to be held under two successive Presidencies, by improving the targeting of the issues for discussion and by having the Commission draw up a background paper for the discussions and incorporating the associated countries' positions.

On the basis of the conclusions reached at the Madrid European Council, the Florence European Council reiterated the need for the Commission's opinions and reports on enlargement to be available as soon as possible after the completion of the IGC so that the initial phase of negotiations could coincide with the beginning of negotiations with Cyprus and Malta <sup>(2)</sup> six months after the end of the IGC, taking its results into account. In its conclusions on enlargement, the Dublin European Council confirmed the timetable for the enlargement process agreed in Madrid and welcomed the fact that the Commission had given an assurance that the reports and documents it had been asked for in Madrid — including its opinions and the communication on the Union's future financial framework — would be available immediately after conclusion of the IGC.

With the signing of a Europe association agreement, Slovenia — which simultaneously submitted its formal application for accession — became party to the pre-accession strategy and hence to the enhanced political dialogue. As the Czech Republic had submitted its formal request for accession, the Council, further to these two applications and to those submitted in December 1995 by Lithuania and Bulgaria, adopted decisions on the initiation of the accession procedure in accordance with Article O of the Treaty on European Union.

By means of various methods of participation, the Union is already encouraging structured co-operation between the associated countries as a significant component of the pre-accession strategy and the development of the Union's relations with regional cooperation bodies such as the Council of the Baltic Sea States (CBSS) and the Central European Initiative (CEI).

In accordance with the European Council's conclusions at its meetings in Madrid and Florence in 1996, the Commission addressed with renewed vigour the substantive reform of the Phare programme <sup>(3)</sup>, which is the European Union's principal financial instrument to help the CCEE assimilate the *acquis communautaire*. The enhanced role of the Phare programme is extremely important for the preparation of the associated countries for accession.

As regards approximation of the legislation of the associated countries to that in force in the Union, with more particular reference to the internal market, the associated countries made progress with their implementation of the White Paper. In this their work was facilitated by the Commission's establishment of a technical assistance information exchange office (TAIEX) within the framework of the Phare programme in close cooperation with and taking advantage of the expertise of the Member States. The initial results were summarised in the replies to the questionnaires circulated to all the associated countries with a view to subsequent preparation by the Commission of its opinions on the accession of those countries to the Union.

Regarding the unification of rules of origin for preferential trade in Europe, the Council adopted a series of acts aimed at implementing a 'European diagonal cumulation'. Most of the associated countries agreed to bring the new rules into force

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<sup>(2)</sup> That country has in the meantime notified the Community that it is, for the time being, no longer an applicant for accession (see F below).

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<sup>(3)</sup> In 1996 the Council decided to extend economic aid under the Phare programme to Bosnia and Herzegovina and to the FYROM.

on 1 January 1997, although the date adopted for Hungary and Poland was 1 July 1997. Since the Europe agreements with the Baltic States have not yet entered into force, talks are in progress to allow the new rules to be applied from 1 April 1997.

Negotiations with Bulgaria, Hungary, Poland, Romania, Slovakia and the Czech Republic for the adaptation of the Europe agreements in the agriculture sector as a result of enlargement and the conclusion of the Uruguay Round, and also for further development of trade, continued throughout 1996.

As for Estonia, Latvia and Lithuania, the Council adopted directives enabling the Commission to negotiate with a view to adapting the free-trade agreements as well (and also the Europe agreements currently being ratified) in accordance with the same principles as those adopted for the other associated countries. Pending the conclusion of the new protocols, the Community continued to take autonomous measures to avoid any, even transitory, disruption of traditional trade flows.

The European Council voiced its appreciation and support for the various regional cooperation initiatives which extend from the Barents Sea to the Black Sea via the Baltic Sea region and the central European region.

Relations with these countries under the respective associations continued to develop in a dynamic fashion in 1996.

Reference should first be made to the fact that several meetings of the association councils were held with the countries with which association agreements have already entered into force: on 30 January with the Czech Republic and Bulgaria; on 27 February with Romania and Slovakia; on 16 July with Hungary and Poland.

At each of these meetings, the association council took stock of the development of and prospects

for bilateral relations under the Europe agreements. It discussed the headway made towards integration by each of the countries which had applied for accession to the European Union and the progress made under the pre-accession strategy. The association councils also tackled other subjects, such as regional cooperation, and exchanged views within the context of the political dialogue on topical international issues.

The intensification of bilateral relations also brought with it an increased number of decisions that the association councils took by virtue of the powers conferred on them by the Europe agreements. In this connection, the association councils with Hungary, Poland, the Czech Republic and Slovakia adopted implementing rules regarding competition. The association council with Hungary set up a joint consultative committee, the aim of which is to foster dialogue and cooperation between economic and social interest groups in the Community and Hungary. With Poland, decisions were taken regarding the definition of the origin of products and as regards certain aspects of the trade arrangements for processed agricultural products; it was also possible to resolve the dispute concerning Polish export restrictions on hides and skins by means of a decision of the association council. Finally, the association council with Romania adopted a decision on Romanian restrictions on exports of scrap and decisions were taken with Bulgaria, Romania, Slovakia and the Czech Republic regarding double checking in trade in steel. Still in 1996, it was possible for the association councils with the Czech Republic and Hungary to adopt decisions on the introduction of European cumulation of rules of origin.

The discussions of the association councils were prepared by the association committees which met regularly and thus ensured the continuity of activities. They examined a wide range of issues arising in the everyday application of each association agreement. It should also be noted that the parliamentary association committees, which constitute another important feature of the

institutional framework provided for by the Europe agreements, met with all the associated countries on a six-monthly basis. Their discussions permitted a frank and open dialogue between the members of the European Parliament and those of the national parliaments of the associated countries and a better understanding of the respective points of view. The declarations and recommendations emerging from such meetings continued to provide a very useful input into the discussions held within the associations.

As regards relations with Estonia, Latvia and Lithuania, the procedures for ratifying the Europe agreements, which were initiated following the signing of the agreements on 12 June 1995, are progressing well and the agreements are expected to be concluded and to enter into force at an early date. In the meantime, contractual relations between the Community and these three States are governed by the agreements on free trade, which also include trade-related measures (free-trade agreements) and entered into force on 1 January 1995. In this context, it should be noted in particular that the first meetings of the joint committees were held with Lithuania, Latvia and Estonia.

It should lastly be noted that relations with Slovenia took a qualitative leap forward when the Europe agreement was signed on 10 June 1996. Pending completion of the ratification procedures, an interim agreement was signed on 11 November with a view to allowing the commercial aspect and the corresponding related measures to be implemented ahead of ratification.

It is expected that this interim agreement will be provisionally applied from 1 January 1997. It should be noted in particular that it already includes the new text of the protocol on the cumulation of rules of origin for preferential trade in Europe, which is being introduced in the other associated countries by means of decisions of the various association councils.

#### **D. Relations with eastern Europe and central Asia**

Following the 1995 conclusions on the strategy to be followed for future relations with Russia, the Council adopted an action plan for that country. This action plan confirms the partnership established with that country and sets in particular as objectives support for the democratic process and the promotion of economic reforms and respect for human rights, and the consolidation of peace, stability and security. It covers all areas of cooperation, notably foreign and security policy, where there is provision for a stepping-up of coordinated action with Russia on matters concerning the peaceful settlement of conflicts in the context of the OSCE, and support for reforms to the legislative and legal machinery. Throughout the year, the implementation of this plan was one of the priorities of the Union's policy towards Russia. Thus, the political dialogue has been considerably enhanced by being developed at all levels.

The European Council in Florence welcomed the action plan as well as Russia's membership of the Council of Europe and the holding of presidential elections in that country, while calling for prompt ratification of the partnership and cooperation agreement (PCA). The Dublin European Council reiterated the Union's readiness to assist Russia in meeting the difficult challenges ahead, notably through the partnership and cooperation agreement and the action plan and by bringing Russia as soon as possible into the WTO and other international forums.

Following the invitation to the Union to send observers to the Russian presidential elections in June/July, the Commission took action to involve the Member States and the Office of the OSCE in that task. The Council welcomed the proper conduct of those elections, which were regarded as a decisive step forward in consolidating the democratisation process in Russia.

The situation in Chechnya remained of concern to the Union, particularly as regards respect for human rights and the plight of refugees and displaced persons in the region. Throughout the conflict, notably through numerous declarations, the Union called upon both sides to begin political negotiations to try to reach a lasting political settlement and reiterated its conviction that the OSCE Assistance Group could make a worthwhile contribution to that peace process.

The Union also welcomed the progress made, notably the ceasefire reached in August 1996, and the agreement to hold elections in January 1997.

The Union on several occasions reaffirmed in declarations the importance that it attaches to the independence, territorial integrity and sovereignty of Ukraine and welcomed the Ukrainian Parliament's adoption of a new constitution for Ukraine. The Council also adopted an action plan for Ukraine which pinpoints the priority areas for action through which the Union can contribute to the process of democratic and economic reform and promote sustainable development in that country. This plan demonstrates the importance the Union attaches to relations with Ukraine and its desire to introduce closer cooperation in the framework of the partnership and cooperation agreement. It makes provision for a range of measures and specific actions in numerous fields, such as reinforcing the political dialogue, questions relating to European security, economic and regional cooperation measures and closer bilateral contractual relations. The European Council recalled its firm attachment to the implementation of the memorandum of understanding reached with Ukraine on the definitive closure of the Chernobyl nuclear power station by the year 2000. It welcomed the closure by the Ukrainian authorities of reactor number one as an important step in this direction.

The European Union also monitored closely the situation in Belarus, in particular with regard to human rights and the progress of democracy. On various occasions, in particular at the meeting of Heads of State or Government attended by Mr Lukashenko, the Union expressed its deep concern at the political situation in that country and urged all parties concerned to seek a solution which fully respects the prerogatives of the parliament and of the constitutional court as well as democratic principles such as the freedom of the press. The Union also initiated a series of missions to Belarus, in cooperation with the OSCE and the Council of Europe, to examine the situation in that country and to assist in the implementation of the necessary reforms.

The dynamic relations established by the Union with the States of central Asia and the southern Caucasus, within the framework of the guidelines laid down by the Council in 1995, gained fresh impetus with the signing of four new partnership and cooperation agreements (PCAs) with Armenia, Azerbaijan, Georgia and Uzbekistan. Those agreements, an essential element of which is respect for human rights and democratic principles, have the objective of developing political relations and economic cooperation with those States and thus encouraging them to undertake the political and economic reforms necessary to strengthen stability in the region.

With the above in mind, the Union continued to support efforts to maintain peace in the region and in particular carried out demarches to encourage the resumption of inter-Tajik negotiations with a view to reaching a peaceful settlement to the conflict in Tajikistan.

As regards Turkmenistan, exploratory talks enabled the Commission to submit to the Council a report on the situation and on progress with political and economic reform; on the basis of its analysis, the Commission has recommended

that negotiations begin for a partnership and co-operation agreement with Turkmenistan if the current trend towards reforms continues.

Furthermore, pending procedures for the ratification of the partnership agreements by national parliaments and in order to allow the earliest possible entry into force of the commercial aspects of those agreements, the Community concluded interim agreements. Such agreements have come into force with Russia, Ukraine and Moldova and have been signed with Belarus, Georgia, Uzbekistan, Kyrgyzstan and Armenia. The agreement with Azerbaijan was initialled recently.

The Tacis programme plays an important role as an instrument of the Union's strategy vis-à-vis Russia. As regards assistance to the republics of the former USSR, the Council, after twice consulting the European Parliament and holding a conciliation meeting with it, adopted the new Tacis regulation intended to cover operations in the course of 1996–99 with a budget of ECU 2 224 million. The tendering procedure has been improved compared with the 1993 regulation and made more transparent, and the new regulation contains elements intended to strengthen its operational character and increase the efficiency of its interventions. To that end it allows the establishment of multiannual programming, part-financing of small infrastructure projects, support for small and medium-sized enterprises and established the environment as a priority area. It strengthens cooperation between wide areas of the European Union, the CCEE and the CIS, including Baltic-Barents cooperation.

Provision has also been made for increased support for cross-border cooperation projects, both between the EU and Russia (at the Finno-Russian border) and between Russia and the countries of central and eastern Europe, including the Baltic countries.

The Council decided to include Turkmenistan in the food-aid operation decided on in 1995 in favour of the peoples of the Caucasus, Kyrgyzstan and Tajikistan. That decision made it possible to supply Tajikistan with 10 000 tonnes of wheat flour while remaining within the original budget approved by the Council.

As regards macrofinancial assistance, the Council granted further aid of ECU 15 million to Moldova to guarantee the success of the Moldovan Government's economic programme.

### **E. Relations with former Yugoslavia**

Implementation of the peace process in Bosnia and Herzegovina, which was initiated by the Paris agreements of 1995, dominated the year 1996. As it had done in 1995 to promote a political settlement of the conflict, the Union made a decisive multifaceted contribution to that process, in particular through its financial participation in financing the infrastructure and current expenditure of the High Representative, Mr Carl Bildt; through its contribution of ECU 3.6 million to the United Nations Voluntary Trust Fund for Assistance in Mine Clearance in Bosnia and Herzegovina and Croatia; through its contribution to the smooth operation of the general elections on 14 September in Bosnia and Herzegovina by sending a contingent of 505 Union supervisors charged to the Community budget (ECU 3 million); through the major role it continued to play in providing humanitarian aid and assistance in reconstruction at the second Donors' Conference held in Brussels at ministerial level and organised jointly by the Commission and the World Bank, at which the Union (USD 260 million) and the Member States (USD 157 million) entered into commitments of USD 417 million, representing one third of the total amount (USD 1 283 million) proposed by the international community for the reconstruction of Bosnia and Herzegovina, as well as by extending the Phare programme to Bosnia and Herzegovina

and through aid for reconstruction in Bosnia and Herzegovina, in Croatia, in the Federal Republic of Yugoslavia and in the Former Yugoslav Republic of Macedonia; through the provision by the Member States of a large proportion of the personnel of the Force for the Implementation of the Peace Plan (IFOR) established on the basis of a UN Security Council resolution, and through the extension of the embargo on arms exports to former Yugoslavia, with applications for export licences to Slovenia and the Former Yugoslav Republic of Macedonia being examined on a case-by-case basis.

In the context of a two-year peace consolidation period ending in December 1998, when new elections are to be held in Bosnia and Herzegovina, the Council adopted a policy paper on former Yugoslavia laying down, on the one hand, guiding principles for a Union contribution to the major international meetings, which finalised a framework for the future of the peace process in former Yugoslavia (notably the Paris and London conferences), the results of which were approved by the Dublin European Council and, on the other hand, the major priorities for that consolidation period.

The Union believes that, in order to achieve full implementation of the peace process, the international community should utilise all mechanisms at its disposal, including the provision of reconstruction assistance and economic aid, on the basis of already defined conditionality, with the possibility, where appropriate, of withholding such aid in cases of non-compliance with the undertakings entered into and of imposing measures against any party failing significantly to meet its obligations. Support is also provided for regional cooperation initiatives, as defined in the Council conclusions and presented to the parties concerned by the Presidency and the Commission when they visited the region.

As already mentioned, the Union decided to pursue a regional approach for the development of

relations with the countries of former Yugoslavia in order to encourage reconciliation, political stability and economic prosperity in the region.

The Union continued its contribution to bringing peace to and reconstructing Mostar (Bosnia and Herzegovina) on the basis of its joint action begun in 1994, expanded in 1995 and due to expire on 22 July 1996. After the European Administrator, Mr Hans Koschnick, was replaced by Mr Ricardo Pérez Casado, the EUAM (EU Administration of Mostar) helped in preparing for the municipal elections, which finally made it possible to establish a unified municipal council.

The Council adopted a joint action on the nomination of a 'Special Envoy of the European Union' to Mostar (Sir Martin Garrod) to ensure the gradual transfer of responsibilities of the EUAM — whose mandate ended on 22 July 1996 — to the newly elected local authorities on the one hand and to ensure the gradual phasing-out of the EUAM over a period ending on 31 December 1996 on the other. In addition to continuing the gradual withdrawal of the Union from Mostar, the Union's Special Envoy to that city also had the task of ensuring the completion of the reconstruction projects under way. It was in that context that the restoration of the Sarajevo–Mostar–Ploče railway line, which was the subject of a joint action, was completed. Although the Special Envoy's mission ended on 31 December 1996, it was decided to maintain a technical rearguard of a small number of persons in Mostar for a brief period, lasting until 30 April 1997 at the latest, in order to ensure the smooth completion of projects in hand.

As regards Croatia, the Union's particular objective was to restore the multi-ethnic character of eastern Slavonia; to that end, it continued its support for the United Nations Transitional Administration (Untaes). Emphasising on several occasions the importance of support for the implementation of projects to promote reconciliation between the Croatian and Serbian peoples



of the region, the Union welcomed the normalisation of relations between Croatia and the Federal Republic of Yugoslavia (FRY) and the admission of Croatia to the Council of Europe.

Further to the agreement between the FRY and the Former Yugoslav Republic of Macedonia (FYROM), the Union published a declaration opening the way to recognition by the Member States of the FRY as one of the successor States to the Socialist Federal Republic of Yugoslavia by stipulating that the development of good relations with the FRY and of its position within the international community would depend on a constructive approach by the FRY, in particular to full respect for human rights and minority rights and the right to return of refugees and displaced persons, and the granting of a large degree of autonomy for Kosovo within the FRY. In accordance with the United Nations Security Council resolution, the Council has lifted the remaining sanctions against the FRY.

In the light of the FRY's failure to acknowledge certain results of the municipal elections and of the action taken against independent media, the Council decided to adjourn a decision to grant the FRY autonomous commercial concessions, as already offered to the other republics of former Yugoslavia. The Union also appealed to the FRY authorities on several occasions to comply with international democratic principles.

Further to the OSCE's mission to Belgrade, the Union appealed to the Belgrade authorities to implement the recommendations of the Personal Representative of the President-in-Office of the OSCE, Mr Felipe Gonzalez, and in particular to comply with the results of the municipal elections.

## **F. Relations with south-east Europe**

The year 1996 was chiefly given over to the practical implementation of the decisions taken

by the Council in 1995 to establish, for the associated countries of Cyprus and Malta, a pre-accession strategy which combines a series of new instruments, such as strengthened political dialogue within the framework of the structured dialogue established in June 1995, participation in a number of Community programmes and further harmonisation of Cypriot and Maltese legislation on the *acquis communautaire*.

The dialogue with those two countries on foreign policy and security topics has developed within the framework of the new guidelines governing the strengthened political dialogue, notably at the joint ministerial meeting between the Union, Cyprus and Malta. The association councils with Cyprus and Malta met in Brussels, with the discussions focusing on the prospects for accession and on the development of bilateral relations since the previous association council meeting.

As regards Cyprus, emphasis was placed on the necessity of using the period prior to the start of accession negotiations to find an overall solution to the Cypriot question. To that end, a representative of the Presidency was appointed who has, in close liaison with other special representatives, including the United Nations Secretary-General's (UNSG) special representative, monitored developments in the situation through his contacts with the parties concerned, reporting to the Presidency on efforts made to help find a political settlement. On several occasions, the Union deplored the violence and denounced the murder of civilians by soldiers and members of the security forces in northern Cyprus during the year and appealed for restraint and calm, urging both sides to avoid further confrontation. Those developments have underlined the need for both parties to cooperate fully with the forces of Unficyp (United Nations Force in Cyprus) and with the special representative of the UNSG in their efforts to reduce tension and promote a global settlement.

The second structured dialogue ministerial meeting with Cyprus provided the occasion for a

joint examination of the implementation of the pre-accession strategy and of the follow-up to the Barcelona Euro-Mediterranean Conference. In the same context, the timetable for the beginning of the negotiations with Cyprus was confirmed.

At the meeting with Malta at foreign minister level, the Council took note that Malta did not consider full membership of the Union feasible for it. Consequently, on the one hand, the structured dialogue with Malta, which was part of a pre-accession strategy, was suspended in all its components and, on the other hand, the Council invited the Commission to make proposals for future relations with Malta in the light of the statement by that country.

As regards overall relations with Turkey, the Florence and Dublin European Council meetings emphasised the priority they attached to strengthening and expanding them and expressed the hope that appropriate conditions would be established for an association council meeting to be held in the near future. In parallel, and equally in an effort to accommodate the request by the European Parliament in its 1995 assent concerning customs union, the Council has continued to monitor closely the general situation in Turkey. The Council held an exchange of views on relations with Turkey, at the end of which it invited the Presidency to make contact with Turkey in order to prepare for an association council meeting early in 1997.

Despite the entry into force of the customs union between the European Union and Turkey, relations with that country have been affected by certain difficulties such as the tension between one Member State and Turkey on the subject of the island of Imia in the Aegean which first led the Council to propose the postponement of the association council meeting for a period which was brief but sufficiently long to guarantee fruitful results, and subsequently to call for the avoidance of any action that might increase the tension and to stress

the need to submit territorial disputes to the International Court of Justice, in accordance with the Council's declaration of 15 July 1996. The Union also reaffirmed the importance it attaches both to respect for human rights and democratic rules and for the principles of good neighbourly relations and of the commitments entered into by Turkey in the OSCE and the Council of Europe.

A ministerial meeting in the framework of the political dialogue between the Union and Albania was devoted to examining the possibility of closer bilateral relations in the light of the economic and political reforms in hand in Albania, with particular emphasis being placed on full respect for human rights (ethnic minorities, fundamental freedoms, established standards of democratic government). The parliamentary elections in Albania in May, which were characterised by a number of irregularities, formed the subject of two declarations by the Council and of a joint European Union/United States declaration in which the Union called upon the Albanian Government *inter alia* to cooperate with the OSCE and the Council of Europe to reform its electoral procedures and democratic practice. Regarding the local elections in October, the Union made several representations to the Albanian Government to invite the OSCE to participate in monitoring those elections.

## **G. Transatlantic relations**

In spite of the impetus given by the New Transatlantic Agenda signed in December 1995, relations with the United States have been affected by the adoption of laws with extra-territorial effect by the United States Congress (the Cuban Liberty and Democratic Solidarity (Libertad) Act, known as the Helms-Burton Act, which entered into force on 12 March, and the Iran and Libya Sanctions Act, known as the D'Amato Act, which was adopted on 5 August), to which the Union decided to give an appropriate response.

The Council adopted an approach whereby the Community and the Member States intervene, each in accordance with its own powers, to ensure protection against the effects of the extra-territorial application of legislation adopted by a third country and of actions based thereon or resulting therefrom. The approach comprises a regulation directed towards the Helms-Burton and D'Amato Acts and a joint action on protective measures, not provided for in the regulation, to be taken by the Member States. The Council had previously, after expressing its concern and disappointment at the entry into force of the Helms-Burton Act, identified a number of measures that could be taken by the Union (in particular, referral to the World Trade Organisation — WTO) in response to the damage caused to its enterprises by the implementation of that law.

Within the framework of the New Transatlantic Agenda (NTA), two European Union/United States Summits were held in Washington in 1996 at which the first year's implementation of the New Agenda was reviewed. At both summits, the EU-US Senior Level Group presented a report which outlined the ongoing achievements made in the implementation of NTA priorities. During 1996, progress was made on a large number of issues within the ambitious multilateral and bilateral trade agenda. An ambitious work programme was agreed at the WTO Singapore Ministerial Conference. Recommendations made by the transatlantic business dialogue have influenced transatlantic business relations, and negotiations reached the final stages for the EU to join the Korean Peninsula Energy Development Organisation (KEDO) and for the signing of an information technology agreement. Significant progress was also made in the ongoing negotiations for agreements on mutual recognition, customs cooperation, chemical precursors and science and technology. Cooperation was intensified on important shared diplomatic objectives and solid progress was made in jointly addressing the challenges of organised crime, narcotics, migration and asylum, and health.

A ministerial troika meeting was also held in Washington, making it possible in particular to discuss the respective policies towards Cuba, Iran, Libya, Liberia and Turkey, and the IGC. In the margins of the United Nations General Assembly (UNGA), the 15 ministers for foreign affairs of the Union held their traditional meeting with the United States Secretary of State, at which discussions focused in particular on the Middle East peace process and former Yugoslavia.

Relations with Canada, which had been affected by a fisheries dispute, have improved considerably through the signing of a joint declaration accompanied by a joint action plan.

In the context of a general improvement in bilateral relations with Canada, the Council, taking note of the Commission communication, adopted conclusions in which it invited the Presidency and the Commission to enter into discussions on a joint statement on Union-Canada relations and a joint action plan building on the 1976 framework agreement for commercial and economic cooperation and the 1990 declaration on EC-Canada relations.

Following the successful outcome of negotiations in late 1996, the joint statement was signed at an EU-Canada Summit held in Ottawa in December in the framework of the Transatlantic Declaration. Summit talks centred on the prospects for implementing the EU-Canada action plan accompanying the joint statement, on the Helms-Burton Act and on the IGC and EMU.

At the ministerial meeting held alongside the UNGA, discussions focused in particular on further elaboration of the action plan, Bosnia and Herzegovina, Russia and the Helms-Burton Act. Re-examination of the transatlantic relationship, preparation for the quadrilateral meeting and for the WTO meeting, the prospects for agreement within the GATS on public contracts and relations between trade and the environment were discussed at the annual ministerial

meeting held in Ottawa in the context of the 1976 framework agreement.

### **H. Euro-Mediterranean partnership — Relations with the Maghreb and Mashreq countries**

The European Union and its 12 Mediterranean partners have throughout the year been implementing the 1995 Barcelona Declaration, which contains a political declaration and a work programme, by developing an active partnership in the political, economic and human fields. To that end, ministerial conferences and meetings were organised in various areas: cultural heritage, tourism, industry, energy, information society, fisheries management, and the fight against drugs and organised crime. The senior officials responsible for the political and security dialogue also met on several occasions.

In the above context, the start-up stage for implementing the political declaration and the work programme was designed to meet the objectives of ensuring that the process initiated in Barcelona was global and balanced and ensuring genuine synergy between the three constituent parts (political, economic and human) of the Euro-Mediterranean partnership and imparting to that process, through ambitious action programmes, sufficient initial impetus to endow it with a constant dynamic which is satisfactory to all parties.

The effectiveness of the above approach has been confirmed by the uninterrupted holding of all scheduled meetings, in spite of the critical moments which the Middle East peace process is going through, thus testifying to the importance attached by all participants to the Euro-Mediterranean partnership.

The Council adopted the MEDA regulation, which constitutes the legal and administrative basis for action to assist the Mediterranean partners, as well as guidelines for indicative

programmes implementing that regulation, with the result that the bases for financial aid towards that region have now been established.

In parallel with establishing the Euro-Mediterranean partnership the Union has devoted itself to giving substance bilaterally to the importance it attaches to its links with the Mashreq and Maghreb countries through Euro-Mediterranean agreements within the framework of that partnership as well as through initiatives and political statements.

As regards the Maghreb countries, several Euro-Mediterranean association agreements are under negotiation or in the process of being concluded: with Morocco, the agreement was signed in Brussels on 26 February 1996 and has received the assent of the European Parliament; with Algeria, negotiating directives for a similar agreement were adopted by the Council on 10 June 1996. The agreement signed with Tunisia in 1995 is currently being ratified.

The Union has made several representations to Tunisia concerning human rights, landmines and the follow-up to the Sharm el Sheik Summit of Peacemakers.

As to the Mashreq countries, the association agreement with Israel, which was signed in November 1995, received the assent of the European Parliament on 29 February 1997, and other Euro-Mediterranean association agreements are under negotiation with Jordan, Egypt and Lebanon (alongside preparation for the Donors' Conference on the reconstruction of the country). Further to the wish expressed by Syria at the second association council meeting, exploratory talks have begun in Damascus.

As regards Syria, the ministerial troika of the Union visited Damascus for talks on the future of bilateral relations and support for the Middle East peace process. At the second EC-Syria cooperation council meeting, both parties

welcomed the development of their relations and at the same time reaffirmed their common interest in security, stability and prosperity around the Mediterranean and — with that in mind — their commitment to the Euro-Mediterranean partnership to promote global, coherent solutions to the problems of the region.

The Union participated actively in the meeting of the Friends of Lebanon Conference in Washington concerning the resources required for the reconstruction of Lebanon.

The 10th EC-Egypt cooperation council meeting made it possible *inter alia* to evaluate developments in and the outlook for the Middle East peace process and to reaffirm both sides' commitment to the Euro-Mediterranean partnership. After calling for the resumption of negotiations between Israel on the one hand and Syria and Lebanon on the other, both parties agreed on the need for a first stage towards peace by the full implementation of the existing agreements between Israel and the Palestinians.

### **I. Middle East peace process — Relations with the Gulf States and the Middle East**

The European Union has abided firmly by the key principles — the exchange of territories for peace, the absolute right of the Palestinians to self-determination — of its undertaking to contribute to the success of the peace process through the political and practical support it has provided from the outset, despite the setbacks and difficulties the process has encountered. In that context, and in particular in order to reaffirm those principles, the representatives of the Union visited the region on seven occasions.

Meanwhile, the Union has continued to monitor each stage and each difficulty in the peace process. In addition, the Union has reiterated its strong condemnation of terrorist actions likely to jeopardise the peace process, and has published a declaration on the peace process and

terrorism which was used as a model at the Summit of Peacemakers in Sharm el Sheik on 13 March, at which the Union played a central role.

In this context, the Union also approached each regional party. Thus, when Israel launched operation Grapes of Wrath in southern Lebanon, resulting in the bombing of Lebanese civilians, the Union initiated a global action aimed at securing a ceasefire and subsequently at promoting the economic recovery of Lebanon. The Union thus played a particularly active role in the Friends of Lebanon Conference in Washington.

Aware that the deterioration of the peace process was increasing the need for an ever more active contribution on its part in that process and for a political role in future which would be in line with its economic involvement, the Union reacted in consequence by adopting a series of positions and decisions, in particular the Council joint action appointing as its Special Envoy Mr Miguel Angel Moratinos, who took up his post at the beginning of December 1996.

Throughout the year, the Union, while recognising Israel's right to protect its citizens against terrorist attacks, expressed its concern at the effects of closing the Palestinian Territories and therefore called on several occasions for that measure to be lifted. The Union also reiterated its concern at the continuous expansion of Israeli settlements, regarding it as a policy that weakened Palestinians' trust in the process and lessened the ability of the Palestinian Authority to prevent extremist reactions against such settlements. Lastly, the Union reaffirmed its long-standing policy of opposing the annexation of east Jerusalem by Israel. In the declaration made by the European Council in Florence in June 1996, the Union confirmed its policy of encouraging all parties to study the issues covered by the negotiations on the final status, including the question of Jerusalem, which is of particular importance. The Union has urged and will continue to urge all parties to refrain from any

action or initiative which might influence or prejudice future negotiations.

The European Council appealed to the countries which had not yet decided to support the Middle East peace process. In that context, the Union is counting in particular on Iran with which the critical dialogue continued.

In economic terms, the European Union remains the principal donor for the Palestinian Territories, ahead of the United States (ECU 56 million), Norway (ECU 53 million), Japan (ECU 47 million) and Saudi Arabia (ECU 12 million). In 1996 the Union as a whole (ECU 107 million from the Community budget, ECU 81 million from the European Investment Bank, ECU 210 million from the individual Member States) allocated some ECU 398 million to Palestinian development, also covering a significant proportion of the current expenditure of the Palestinian Authority — owing in particular to the closing of the Territories, which affected fiscal resources. To offset the effects of closing the West Bank and the Gaza Strip, the Presidency and the Commission redoubled efforts to implement assistance projects in those Territories.

The Council adopted directives for the negotiation of a Euro-Mediterranean interim agreement on trade and cooperation between the European Community, of the one part, and the PLO for the benefit of the Palestinian Authority, of the other part. Negotiations began immediately on the basis of those directives, which allowed the Commission to initial the agreement in December 1996.

The multilateral aspect of the peace process was directly affected by the problems encountered in the bilateral aspect in the Israeli-Palestinian negotiations to implement the Oslo agreements: multilateral activities and negotiations were less numerous and less fruitful than in previous years. In the context of that multilateral aspect, the Union continued to chair with dynamism the

Regional Economic Development Working Group (REDWG) and also played an active part in the proceedings of the other four working groups — water, environment, arms control and regional security (ACRS) — and in the proceedings of the steering committee, which supervises proceedings under that aspect.

In addition to its ministerial visits to the region, the Union also maintained close bilateral contacts at senior official and expert level with its co-sponsors and parties concerned, notably the United States and Russia.

At the sixth meeting of the Joint Council and at the ministerial meeting with the Gulf Cooperation Council (GCC), discussions focused on the means of strengthening bilateral relations, in accordance with the political commitment entered into at the troika's ministerial meeting in Granada in July 1995, on political cooperation (regional security of the Gulf States, Middle East peace process) and on economic matters (from the free-trade standpoint). Beforehand, the Council adopted, on the basis of a Commission communication, conclusions reaffirming the strategic importance for the Union of a powerful regional group capable of playing a role at economic, political and regional security levels.

The Union has pursued its global policy in favour of regional stability through differentiated bilateral relations.

The Union accordingly continued in 1996 the 'critical dialogue' with Iran initiated following the Edinburgh European Council. Aimed at encouraging Iran to play a constructive role in the region, with regard to the Middle East peace process, that dialogue yet again made it possible to address the main topics of concern to the Union, in particular Iranian human rights practices, with particular reference to the author Salman Rushdie, international terrorism, Iranian policies on arms procurement and nuclear cooperation and individual cases in the field of

human rights, notably through representations on behalf of those under death sentence and the Israeli pilot, Ron Arad, who disappeared in 1986.

The Union demonstrated solidarity and cohesion in a joint declaration on the reactions in Teheran in November 1996 in the context of the Mykonos trial.

The Union has remained particularly vigilant with regard to Iraq and reaffirmed its commitments regarding the full implementation of all relevant United Nations resolutions. The Union prepared itself as from mid-year for the entry into force of the United Nations Security Council 'oil-for-food' resolution, as it will authorise quarterly exports of USD 1 000 million of Iraqi oil to enable that country to meet the humanitarian needs of its population. Further to the implementation of the agreement between the United Nations and Iraq, the Council adopted a common position on derogations from the embargo on Iraq and, on the basis of a Commission proposal, a regulation and a decision consolidating existing Community legislation on trade relations with Iraq and introducing an authorisation to import Iraqi oil into the Community and to export to that country, under the supervision of the United Nations Sanctions Committee, food-stuffs, medicine and other essential humanitarian supplies.

For similar reasons, the Union has maintained the same stance vis-à-vis Libya as regards full implementation of the United Nations Security Council resolutions as a prerequisite for lifting any sanctions. An EU ministerial troika visited Libya to pass on and clarify the Union's position on terrorism.

## **J. Relations with Africa**

In addition to the Florence European Council's recognition of the importance of the initiative concerning the possibility of organising a Euro-African Summit with a view to strengthening peace and democracy in Africa, relations with

sub-Saharan Africa were characterised in 1996 by the Union's efforts to contribute to preventing conflicts and resolving crises in Africa, in particular in the Great Lakes region, and by the implementation of the agreement on the mid-term review of the fourth Lomé Convention (signed in Mauritius in November 1995), containing new provisions on human rights, support for the democratic process and the strengthening of the political dialogue.

In line with the political guidelines laid down by the European Council, with particular emphasis placed on the role of the OAU for the future of the African continent, the Union continued its efforts to reinforce the mechanisms for preventing conflicts in Africa. Discussions with the OAU continued with a view to providing Union assistance in that area, including through and with the resources of the WEU. In a communication entitled 'The European Union and the issue of conflicts in Africa: peace-building, conflict prevention and beyond', the Commission suggested *inter alia* that the concept of consolidating peace and preventing conflicts be included in development assistance programmes under the Lomé Convention.

In the context of its support for regional integration initiatives, the European Union continued to strengthen its cooperation with the Community countries on the development of southern Africa (SADC) begun in Berlin in September 1994. The second EU-SADC Ministerial Conference held at Windhoek in mid-October 1996 made an extremely positive assessment of this cooperation and established guidelines for 1997/98; it also provided an opportunity for an in-depth political dialogue.

With respect to the negotiations between the Union and South Africa on a trade and cooperation agreement and on a qualified accession of South Africa to the Lomé Convention, the basic negotiating directives of June 1995 were supplemented in March 1996 by additional negotiating

directives regarding the trade aspect of the agreement. The Union's offer was subsequently scrutinised by South Africa.

Also in the framework of political dialogue with the OAU and in the context of its support for regional initiatives, the Union renewed the appeal it had made at the Florence European Council for a conference to be convened on peace, stability and development in the Great Lakes region under the aegis of the United Nations and of the OAU. The Council appointed Mr Ajello as Special Envoy of the Union for the region, with responsibility in particular for supporting efforts to create the conditions necessary for resolving the crisis, including preparation for such a conference.

In order to evaluate the overall situation, ministers for development held an extraordinary meeting. A ministerial troika subsequently visited the region. In parallel, the Council adopted a joint action in support of the democratic transition process in Zaire, consisting, at the outset, of a Union electoral unit to monitor and support — within the United Nations framework — preparation for the elections scheduled for mid-1997. The democratic process in Zaire is in fact regarded as a key element for the stability of the Great Lakes region.

Faced with the mass of Rwandan refugees and displaced Zairians resulting from the fighting in eastern Zaire (Kivu) and the humanitarian catastrophe that could result, the Council adopted a joint action providing for Union participation in the relevant United Nations Security Council resolutions and a decision calling on the WEU to look into how it can contribute to optimum use of the operational means available to implement the joint action in the Great Lakes region. Welcoming the return of Rwandan refugees to their country, the Council also approved the immediate commitment of ECU 25 million as emergency humanitarian aid (food, shelter and protection) in their favour, while taking note of the

Commission's intention soon to release an additional ECU 144 million for the humanitarian needs of the region.

Concerned at the violence in the region, in particular in eastern Zaire and Burundi, the Dublin European Council confirmed the Union's support for the efforts of the African Heads of State to seek a peaceful solution to the conflict, having regard to Zaire's territorial integrity, and reiterated that the Union was willing to contribute fully, including by a request to the WEU to consider how it might contribute, as a matter of urgency, in accordance with the United Nations Security Council resolutions, to setting up a temporary multinational force for humanitarian purposes.

Even before the fighting in Zaire developed, the Union continued to stress the importance of and need for national reconciliation in Rwanda and for the creation of conditions favourable to a swift return of refugees and displaced persons. To those ends, the Union is participating in the United Nations Human Rights Operation in Rwanda by sending human rights observers and supporting approximately 80 % of the total cost of the operation. The Union is also providing aid of ECU 1.5 million to set up the International Court on Rwanda, so that those responsible for genocide can be tried under conditions in line with the rules of law.

The Union continued throughout the year, in particular through its Special Envoy in the region, to support democratic transition in Burundi and to promote dialogue between the leaders of the different political parties. The Florence European Council called on all parties to cooperate with the former President of Tanzania, Mr Nyerere, in his attempts to find a peaceful path towards a peace acceptable to all. As for the Council, after welcoming the resolution on Burundi adopted by the OAU Summit in Yaoundé, it reaffirmed the Union's desire to lend its support in attaining the objectives of the Arusha Regional Summit of



restoring peace and security to Burundi. The Union expressed its concern at the *coup d'état* in Burundi and asserted its support for the regional initiative to promote the establishment of a transition programme for Burundi.

The Union endorsed the efforts for peace and the democratic process by renewed support for the dialogue initiated in Mozambique with a view to ensuring that the democratisation process would continue in a peaceful climate, by welcoming Sierra Leone's return to democracy following the presidential elections in February and the parliamentary elections in March; by repeatedly calling for respect for human rights and for a return to democratic rule in Nigeria, whose situation was monitored in close cooperation with the United States and the Commonwealth; by constant monitoring of the situation in Liberia, with renewed support for the Abuja Agreement concluded in August 1995, and by condemning the *coup d'état* in Niger, accompanied by a six-month suspension of the aid granted to that country, resumption of which would depend on progress made towards restoring democracy.

### **K. Relations with Asia**

Significant progress was made in 1996 in implementing the European Union's new Asia strategy defined at the Essen European Council and amplified at the Madrid European Council. In parallel with the first Asia-Europe Summit, numerous bilateral agreements with the countries of Asia were negotiated or concluded, while a new strategy towards ASEAN and India was proposed by the Commission. It was in this general context that the Union decided on its participation in the Korean Peninsula Energy Development Organisation (KEDO), continued to expand its relations with Japan — on the basis of the strategy defined in 1995 — and began negotiating a framework agreement with Australia.

The first Asia-Europe Summit (ASEM) brought together the Heads of State or Government and the

ministers for foreign Affairs of 10 Asian countries (the seven members of ASEAN, China, Japan and the Republic of Korea) and 15 Member States of the Union, together with the President of the Commission. Confirming the will of both parties to develop further the partnership between two major world regions, that meeting laid the bases for an enhanced political and economic dialogue and opened up new prospects for cooperation in a wide range of fields, with the elaboration of a work programme covering every aspect of the dialogue initiated in the ASEM framework, and fixing there and then the venue and timetable for forthcoming ASEM summits.

Welcoming that first Asia-Europe Summit, the Florence European Council instructed the Council to give substance to the political, economic and commercial cooperation thus begun. To that end, several follow-up meetings were held and numerous implementation measures were started in the economic, cultural, environmental and technological fields. At political level and for organisational purposes, several meetings of 'ASEM coordinators' (Presidency and Commission for the Union, Japan and Singapore for the Asian party) were held in the meantime.

In parallel, the biannual EU-ASEAN meeting of senior officials (ASEAN-SOM) charged with preparing for the meeting of the ministers for foreign affairs of the Union and of ASEAN scheduled for 1997 was held in Dublin. Beforehand, the Union was represented by the Presidency-in-Office of the Council at the ASEAN Regional Forum (ARF) and ASEAN post-ministerial conferences (PMCs), in order to make its contribution to the dialogue on political and security cooperation problems in the Asia-Pacific zone. In the Council's bodies, the discussion continued on the conclusions of the report from the Eminent Persons Group (EPG) and on the Commission communication entitled 'On a new dynamic in relations between the European Union and ASEAN', which recommends strengthening the links between the two regional integration

processes, in particular by developing the political dialogue and encouraging the integration of the ASEAN countries into the multilateral system.

As regards bilateral relations with the countries of Asia, notably on the institutionalised political dialogue, the Union and the Republic of Korea adopted, on the occasion of the signing of a framework trade and cooperation agreement, a joint declaration on the political dialogue.

On the basis of a Commission communication calling for an enhanced partnership with India in the framework of the Union's new Asia strategy, the Council adopted conclusions directed *inter alia* towards taking into account the growing importance of India as a political and economic player and advocating in particular an enhanced and more regular political dialogue.

The fifth annual EU-Japan Summit was held in Tokyo in September 1996. The meeting, which represented an important step forward in the implementation of the 1991 joint declaration, provided a valuable opportunity for a wide-ranging exchange of views on bilateral trade and economic issues as well as on important regional, international and global topics (Asia, Middle East, Russia, and former Yugoslavia). The summit participants expressed satisfaction with the development of the bilateral relationship and reiterated their intention to continue to work towards ever more harmonious relations in the future, based on dialogue and cooperation.

As regards China, a ministerial meeting between the troika and the Chinese Minister for Foreign Affairs, Mr Qian Qichen, was held alongside the United Nations General Assembly. The Union has made known on several occasions to the Chinese authorities its concern regarding human rights, notably through declarations and on the occasion of a visit to Beijing. Regarding the transition process in Hong Kong and Macau, the Dublin European Council repeated its support

for Hong Kong's special status as a special administrative region (SAR) and expressed the hope that the basic principles of the 1987 Sino-Portuguese joint declaration would continue to be respected after the date of change of administration in 1999.

Both at international level and in a bilateral framework, the Union has continued its support for the efforts under way towards opening up and democratisation. With regard to Burma, the Council thus established a common position in which, in addition to confirming the embargo on arms to that country, it suspended all government visits and prohibited access to the territory of the Member States of officials of the State Law and Order Restoration Council (SLORC), or of the armed and security forces. This followed the failure of the Burmese authorities to make any significant response to the strong representations made by the European Union on the situation in Burma during the two meetings the Presidency-in-Office of the Council held with the Foreign Minister of Burma.

The European Commission also began an investigation of forced labour practices in Burma in the context of the possible withdrawal of the GSP trade benefits for Burma.

The Council also established a common position on East Timor in which it endorses the initiatives taken in the United Nations framework with a view to an equitable solution to the question and calls upon the Indonesian Government to adopt measures leading to a significant improvement in the human rights situation. The Dublin European Council reaffirmed its support for all efforts which can contribute to a fair, comprehensive and internationally acceptable solution to the issue.

As regards developments in the armed conflict in Afghanistan, the Council adopted a decision defining a common position on the establishment of an embargo on arms, munitions and military equipment to that country.

The cooperation agreement between the Community and Vietnam, which is based in particular on respect for human rights and democracy, entered into force. Agreements with similar objectives were negotiated with Laos and Cambodia.

#### **L. Relations with Latin America**

On the basis of the conclusions of the Madrid European Council on the 'general guidelines for cooperation between the Community and Latin America (1996–2000)', directed towards strengthening the partnership between these two regions of the world, the Union endeavoured to attain that objective by focusing its political action on three elements, namely institutional support and consolidation of the democratic process, the fight against poverty and social exclusion and support for economic reforms.

To the above ends, and within the framework of its institutionalised dialogue with all regional groupings, the Union continued its cooperation with the member countries of the San José Group (12th Ministerial Conference in Florence), the Rio Group (sixth Ministerial Conference in Cochabamba, Bolivia) and with the countries of Mercosur (first annual ministerial meeting in Luxembourg) and of the Andean Community (Rome). The conclusions of those meetings testified to the common will to strengthen the existing cooperation and political dialogue between the parties.

On the bilateral level, the Union continued, on the one hand, to strengthen its links with certain countries (Mexico and Chile) and, on the other, to express in substantive terms the importance it attaches to respect for human rights and democracy in each country in the region.

A new framework cooperation agreement was signed with Chile — in preparation for a political and economic association — accompanied by a declaration on the political dialogue. The Council adopted negotiating directives authorising the Commission to negotiate a new framework

agreement with Mexico to replace the 1991 agreement and to govern all relations — including the political dialogue — between the Union and that country.

On several occasions, the Union welcomed the progress made towards democratisation in several countries in the region. At the same time it condemned any attack on the democratic process, in particular the attempt to change by force the constitutional order of Paraguay, which is a member country of Mercosur.

As regards Cuba, the Union established the exploratory contacts called for by the Madrid European Council with a view to strengthening the process of reforms through resumption of the dialogue. However, the actions of the Cuban authorities — in particular the destruction of civilian aircraft and the arrest of members of the Concilio Cubano in February — led the Florence European Council to regret that political circumstances in Cuba had not allowed bilateral relations to progress and to express the hope that political developments in that country would create the conditions necessary for such progress to be made. The Council defined a common position adopting the Union's objectives in its relations with Cuba and the manner in which it would seek to encourage the transition to democratic pluralism and respect for human rights and democratic freedoms in order to 'facilitate peaceful change'.

#### **M. Development cooperation**

In 1996 a large proportion of activities in the field of development cooperation related to the creation of legal bases to allow the implementation of appropriations earmarked for development in the Community budget. The Council accordingly adopted certain regulations during the year, and also adopted a number of common positions with a view to the subsequent adoption of regulations.

As regards regulations, the Council adopted in particular: a regulation on food-aid policy and

management and specific measures to support food security, directed at creating a legal basis for the implementation of the Community budget in the field of food aid and food security; a regulation on humanitarian aid to allow the implementation of the budget to be devoted to such aid; a regulation on rehabilitation and reconstruction operations in developing countries, laying down detailed procedures and rules for the management of aid financed from the Community budget; and a regulation on development cooperation in South Africa, directed towards creating a legal basis in budget heading B7-3 2 0 0 relating to the European programme for reconstruction and development in South Africa. The financial reference amount for implementing that regulation is ECU 500 million for the period 1 January 1996 to 31 December 1999.

As regards common positions, the Council adopted: a common position with a view to adopting a regulation on operations to aid uprooted people in Asian and Latin American developing countries; a common position with a view to adopting a regulation on environmental measures in developing countries in the context of sustainable development; a common position with a view to adopting a regulation on HIV/AIDS-related operations in developing countries; a common position with a view to adopting a regulation on north-south cooperation in the campaign against drugs and drug addiction; and a common position with a view to adopting a regulation on aid for population policies and programmes in the developing countries.

As to non-legislative acts, the Council adopted, in the context of implementing the Council declaration of 15 November 1992 on development cooperation in the run-up to 2000, resolutions and conclusions on operational coordination and human and social development and the development policy of the European Union.

In addition to the above texts relating to action regarding the run-up to 2000, the Council adopted a resolution on the environmental impact

assessment of development projects and programmes, and conclusions: on linking relief, rehabilitation and development; on decentralised cooperation; on migration and development; on the implementation of the counterpart funds of Community support for structural adjustment in the ACP countries; on equality of the sexes and crisis prevention, emergency operations and rehabilitation; and on the evaluation of humanitarian aid.

In the context of United Nations activities, the ninth Unctad Conference was one of the highlights of 1996. The theme of the conference was the promotion of growth and sustainable development in an international economy in the process of globalisation and liberalisation. The objective of the conference was to continue Unctad's process of reforms, as already initiated at the previous conference, held in Cartagena four years previously. The aim was to redefine its priorities and redirect its operation in order to increase its effectiveness and thus enable it to fulfil its role of assisting the developing countries to be more closely integrated into a world economy undergoing profound changes.

The European Union played a major role both in the preparatory work and at the conference itself. As the leading world donor, the European Union has always placed development problems amongst its priority objectives, carrying out operations concerning all regions and targeted in particular on the least-developed countries. While remaining attached to Unctad, but advocating far-reaching reforms to establish the authority of that organisation as a forum for development partnership, the European Union was able, through balanced positions, to take into account the concerns of both the developed and developing countries.

The European Union's position in many instances acted as a catalyst for reaching, in the context of intensive negotiations both in Geneva and on the spot in Midrand, compromise solutions acceptable to all participants. The European Union regarded the results of the

conference as corresponding broadly to the main objectives it had set itself, since the conference adopted Unctad's approach to development by setting the following chief priorities: importance of trade for developing countries; proper economic and social development (market economy, competition, etc.); and boosting private enterprise. The conference also confirmed that the problems of the least-developed countries remained central to Unctad's remit. The conference also recognised that, in carrying out its tasks, Unctad could not work in isolation, but should act in close cooperation with other organisations, notably the WTO, the International Trade Centre and international development institutions. Another positive result is the possibility provided for of improving the participation of the private sector, the academic world, NGOs and other non-governmental partners in Unctad's activities.

The redefinition of Unctad's action priorities was also accompanied by a far-reaching reform of its operational structure by reorganising the role of the governing body by a considerable reduction in the number of subsidiary bodies and by giving those subsidiary bodies the right to convene meetings of experts involving specialists from the private sector.

On 20 June the Council adopted a regulation laying down the scheme of generalised preferences for agricultural products to apply from 1 July 1996 to 30 June 1999, containing transitional arrangements which will apply from 1 July 1996 until 31 December 1996, which are simply an extension of the existing arrangements. The new scheme proper will apply from 1 January 1997 until 30 June 1999, giving economic operators time to adjust.

Like the scheme for industrial products, the agricultural scheme adopted is designed: to simplify the arrangements, by means of a mechanism for modulating preferential duties which comprises four degrees of tariff reduction; to refocus the scheme on those countries in the greatest need, by means of a graduation

mechanism by major production sector proceeding on a gradual basis; to be neutral in impact, compared with the existing scheme; and to provide incentives for the beneficiary countries to introduce more forward-looking social and environmental policies by means of additional benefits going beyond neutrality.

The scheme provides for specially favourable arrangements for the least-developed countries and for Andean and Central American countries within the framework of the fight against drugs.

Although the range of products covered by the regulation has been extended considerably, imports of sensitive products may be subject to safeguard measures in the event of difficulties for Community producers.

The Council authorised the Commission to negotiate an agreement between the EC and each of the EFTA countries which have granted preferences (Norway and Switzerland/Liechtenstein), providing for goods originating in GSP beneficiary countries which incorporate components originating in Norway or in Switzerland/Liechtenstein to be treated, on importation into the customs territory of the Community, as goods incorporating an element originating in the Community.

The European Community signed an agreement in the form of an exchange of letters between the European Community and Malta concerning authorisation to issue certificates for certain petroleum products transiting through the territory of Malta to replace the Form A certificates delivered by some Middle East countries benefiting from the generalised system of preferences granted by the Community.

In 1996, as in the past, the European Union continued to cooperate actively with its partners in the context of international commodity agreements and maintained its position as one of the principal players and as a major partner of the developing countries.

The Council and the representatives of the governments of the Member States meeting within the Council decided to sign and provisionally apply the 1994 International Tropical Timber Agreement (ITTA). The agreement was signed simultaneously by the Community and a large majority of the Member States. The notification of provisional application by the Community was accompanied by a declaration emphasising *inter alia* that any financial contribution other than the contribution to the administrative budget was entirely voluntary.

The Council and the representatives of the governments of the Member States meeting within the Council decided on the provisional application of the 1995 International Natural Rubber Agreement.

A second extension of the 1989 International Agreement on Jute and Jute Products, for a two-year period up to April 2000, was decided upon by the Council of the International Jute Organisation.

#### **(i) Relations with the ACP States**

It is recalled that, following the mid-term review of the Lomé Convention and the Mauritius Agreement amending the convention, signed in 1995, a number of provisions of the revised convention entered into force on 1 January 1996, together with the protocol of accession of Austria, Finland and Sweden to the convention. The revised convention and the abovementioned protocol will enter into force as soon as the process of ratification by all Member States of the Union and by a sufficient number of ACP States is completed.

The joint bodies of the convention, in particular the ACP-EC Council of Ministers and the ACP-EC Joint Assembly, met to review the latest developments affecting ACP-EC relations, to discuss the situation in a number of ACP States and to take stock of the negotiations between the EU and the Republic of South Africa on a bilateral

agreement and on the protocol of accession of South Africa to the convention.

On the basis of a Green Paper presented by the Commission in November, the Council engaged in a general reflection on the future relations of the Community with the ACP countries at the expiry of the present convention in February 2000.

The situation prevailing in a number of ACP countries has led the Council to adopt a position and take certain initiatives intended to encourage the restoration of civil peace and national reconciliation, encourage the prevention of conflict and political stability, and promote democratic values, human rights and the rule of law in the countries in question. The situations in Niger, Nigeria and in the Great Lakes area have received the Council's particular attention.

In the context of preparation for the 21st ordinary meeting of the ACP-EC Council of Ministers, the Council finalised a draft decision of the ACP-EC Council of Ministers enabling Stabex transfers to be made for the 1995 year of application.

The Council adopted a decision enabling Stabex transfers to be made to the ACP States for the 1995 year of application in the form of advances on eighth EDF funds that would be available only when the Mauritius Agreement amending the fourth Lomé Convention, and therefore the second financial protocol to the convention, had been ratified.

In the context of preparation for the entry into force of the agreement signed in Mauritius on 4 November 1995 revising the fourth ACP-EC Convention of Lomé, the Council adopted decisions on the conclusion of the agreement amending the fourth ACP-EC Convention of Lomé, the conclusion of the protocol to the fourth ACP-EC Convention of Lomé, also signed in Mauritius on 4 November, consequent on the accession of the Republic of Austria, the Republic of Finland and the Kingdom of Sweden to the

European Union, and the rules of procedure of the Committee of the European Development Fund, and it agreed to start proceedings in January 1997 on the finalisation of the financial regulation applicable to cooperation for the financing of development under the eighth European Development Fund. The financial regulation applicable to the EDF must in fact be adopted if account is to be taken of the changes made at the time of the mid-term review of the convention and of the changes agreed upon when the internal financial agreement applicable to the eighth EDF was finalised.

The Council also adopted measures in the field of ACP-EC trade cooperation and on ACP-EC financial and technical cooperation.

#### **(ii) Relations with the OCTs**

On 29 January 1996 the Council adopted a decision on transitional measures to be applied from 1 March 1995 in the context of the association of the overseas countries and territories with the European Community, established by the decision of 25 July 1991 for an overall period of 10 years, to ensure the continuity, beyond 1 March 1995, of contributions from the seventh EDF, in the context of Sysmin and Stabex, for the OCTs, pending the implementation of financing for the second five-year period covered by the above OCTs decision.

The Council continued its examination of the Commission proposal for a Council decision on the mid-term review of the decision on the association of the Community with the overseas countries and territories, in particular as regards the new trade regime to be introduced by means of the revised decision.

#### **N. Trade policy**

The consolidation and strengthening of the multi-lateral trading system represented by the World Trade Organisation (WTO) is one of the European Union's priorities in the field of external economic relations.

During 1996, the European Union not only took an active part in the administration of the WTO's ordinary activities but also concentrated its efforts in two main directions determined by deadlines set by the WTO. On the one hand, it defined its objectives with a view to the first WTO Ministerial Conference, held in Singapore, and worked to ensure its success. On the other hand, it carried on intensive negotiations within the WTO to try to advance the negotiations not concluded in Marrakesh on basic telecommunications services and shipping. Major discussions were also held within the Council of the European Union on other commitments linked with the WTO, such as the negotiation of an agreement on information technologies, negotiations under Article XXIV(6) of the 1994 GATT and the second phase of integration of textiles under the 1994 GATT.

The Ministerial Conference in Singapore was the major political event of 1996 for the WTO. For the first time since the WTO came into being on 1 January 1995, the trade ministers had the opportunity to review as a body progress in implementing the commitments made at Marrakesh, identify any problems encountered and decide whether new impetus should be given to the WTO's future work.

The European Union was determined to play a leading role in this entire process, with the aim of achieving a satisfactory and balanced outcome in accordance with the general guidelines arrived at by the European Council in Florence. To that end, the European Council invited the Council as quickly as possible to define negotiating directives for the Commission with a view to the conference both in connection with the uncompleted negotiations and on new topics. The Council had already begun that preparation and, on the basis *inter alia* of Commission communications on market access, trade and the environment, investment and the social dimension of international trade, held detailed discussions.

All those discussions resulted in detailed guidelines which the Council gave to the negotiators

and which it confirmed by adopting specific negotiating directives for the Commission to negotiate an international information technology agreement (ITA). Those guidelines, which centred round the major conference topics (points concerning implementation of the Marrakesh agreements, points relating to the built-in agenda and points concerning whether or not to include new subjects in the WTO's future activities), identified the European Union's objectives for each major subject category.

At the Singapore Conference intensive negotiations were held to overcome difficulties regarding all the points still unresolved in the preparatory process. The Council held several meetings on the spot, with the assistance of the full members of the Article 113 Committee, to coincide with the final phase of the negotiations. In that connection, it gave further guidance to the negotiations with a view to adjusting the guidelines defined by the Council on 29 October 1996 in a spirit of dialogue, flexibility and compromise for a successful outcome to the conference.

On the last day of the conference, 13 December 1996, the Council examined the final text of the draft WTO ministerial declaration resulting from the negotiating process. It considered the results satisfactory and accordingly decided to approve the text and authorise the Commission to indicate to the WTO acceptance of the declaration on behalf of the European Community and of its Member States.

In the context of its overall discussions on the WTO ministerial declaration, the Council also authorised the Commission to accept, on the Community's behalf, a ministerial declaration on trade in information technology products, while noting the arrangements that would be required for the implementation of the results achieved in Singapore.

The Council considered that both the Singapore ministerial declaration and the declaration on information technology made significant contri-

butions to the consolidation and strengthening of the multilateral trading system.

The Dublin European Council welcomed all those results. They have in fact given new impetus to the liberalisation of world trade, defined with clarity the WTO's programme of work in its traditional fields of activity while complying fully with the timetable laid down in Marrakesh, extended that programme of work to cover matters to which the European Union gave priority amongst new topics, such as investment and competition, and have broached in a balanced manner the sensitive question of fundamental social standards.

The European Union is determined to make an active contribution to the implementation of the WTO programme of work, particularly in the short term on the actions to be undertaken to help the least-advanced countries integrate more easily into the multilateral trading system. It will display the same determination in due course when the next WTO Ministerial Conference has to be prepared.

The second priority on the WTO agenda concerned the negotiations in the fields of basic telecommunications services and shipping. It will be recalled that it had not been possible to conclude those negotiations in Marrakesh and that it had been decided to adjourn them until 30 April and 30 June 1996 respectively. The European Union attached particular importance, from both the political and economic points of view, to the successful conclusion of the negotiations in two sectors which had a multiplier effect on international trade.

As regards basic telecommunications, the European Union took the initiative of making its partners a substantial offer covering all basic telecommunications services. The European Union's objectives, as defined by the Council on the basis of Commission proposals, included a multilateral agreement resulting in a substantial liberalisation of trade combined with full



compliance with the WTO clauses on most-favoured-nation status (MFN) and national treatment. Such an agreement should cover both access to internal markets and international and satellite services. At the last moment, in the final phase of the negotiations, the United States introduced new elements that both the Union and other participants considered unacceptable and that failed to give decisive momentum to a balanced package that looked likely to be accepted.

To preserve the possibility of the negotiations being successful, the Council agreed that within the WTO the Union's negotiators should accept a decision continuing the negotiations until 15 February 1997 at the latest. Maximum advantage would have to be taken of that extension if the common objective of a general multilateral agreement covering all basic telecommunications services and fully compatible with the MFN clause were to be achieved.

The negotiations that went on in Geneva during the remainder of 1996 produced some progress but further major efforts were required if a balanced result was to be achieved. The Singapore Conference forcefully confirmed the need to conclude the negotiations by the deadline of 15 February 1997.

As regards shipping, throughout the first half of 1996 the European Union worked to promote its negotiating objectives, namely to obtain substantial liberalisation commitments on a totally MFN basis from a critical mass of participants in the three main areas of this sector (international shipping, auxiliary services and access to port services). It turned out, however, that those objectives could not be achieved within the time allowed because of the United States' negative position and the absence of adequate offers from other countries. Various alternative options were considered but finally it was concluded that the best option was to define the arrangements and conditions for suspending the negotiations and resuming them at a later stage.

The Council authorised the Commission to approve, on behalf of the Community and of its Member States, the draft decision of the WTO Council for Trade in Services determining the arrangements for that suspension and subsequent resumption in the year 2000 (to coincide with the beginning of the future global negotiations on services) of the negotiations on shipping services.

The European Union also actively contributed, throughout 1996, to the many meetings of the various WTO bodies responsible, in particular, for monitoring the implementation of the commitments entered into in Marrakesh on the basis of the various members' notifications in accordance with the WTO's requirements. The preparation of the European Union's notifications and the Union's comparative scrutiny of non-member countries' notifications have required particularly close collaboration between the Commission and the Member States, for example in the field of intellectual property.

The European Union has also continued to give special attention to the WTO dispute settlement system because of its importance to the smooth operation of the organisation. It had recourse to the system itself when in the autumn of 1996 it brought before the WTO its dispute with the United States over the adverse effects on the Union's interests of the Helms-Burton Law on Cuba. In that connection, the European Union secured a decision by the WTO Dispute Settlement Body, on 20 November 1996, to set up a special working party to examine the European Union's complaint.

The Council gave the Commission a formal mandate to negotiate an information technology agreement (ITA) between the Community and third countries, with a view to eliminating customs duties on information technology products on a multilateral basis. The concept of such an agreement originally arose in the context of the EU-US New Transatlantic Agenda. Negotiations between the Community and the US were

launched in the run-up to the WTO Ministerial Conference in Singapore and, in the margins of the conference, were broadened to bring in as many other WTO members as possible, with a view to obtaining the widest possible geographical coverage. The result of these negotiations was a ministerial declaration on trade in information technology products signed by a large number of WTO member countries representing a major proportion of world trade in these products.

As regards the negotiations conducted with non-member countries under Article XXIV(6) of the 1994 GATT consequent upon the accession of Austria, Finland and Sweden to the European Union, those with Argentina could not be concluded within a period which would have enabled the Council to approve the outcome of the negotiations in the context of the global agreements approved in December 1995. The Council adopted a decision on the conclusion of the results of the negotiations with Argentina on 16 September 1996.

The WTO Agreement on Textiles and Clothing (ATC) imposes on its members the obligation progressively to liberalise trade in textiles and clothing in four phases over 10 years. The second phase of this process of integrating textile products into the 1994 GATT provides for the liberalisation from 1 January 1998 of not less than 17 % of every WTO member's total imports in 1990. Accordingly, the Council adopted the Community's position for this second phase of the process of integrating textiles and clothing into the 1994 GATT by adopting measures which enabled the Community to submit an appropriate offer on 1 January 1997 in accordance with the ATC. That offer covered 17.99 % of the Community's total imports in 1990 and included certain categories of sensitive textile products imports of which were restricted by means of quotas.

Apart from activities in the context of the WTO, there were discussions leading to the adoption

of measures to improve trade policy instruments and trade measures in the fields of textiles and iron and steel products covered by the EC and ECSC Treaties.

With regard to anti-dumping measures, in 1996 the Commission published 35 notices announcing the initiation of proceedings, 10 of which related to new proceedings, 9 to interim reviews, 11 to reviews of measures nearing expiry, 3 to circumventions and 2 to reviews relating to new exporters. It also imposed provisional anti-dumping duties in 9 cases, terminated 10 investigations without taking any measures, refunded duties in 1 case and accepted undertakings in 2 others. The Council imposed definitive anti-dumping duties in 15 cases and extended the suspension of measures in 2 cases.

With regard to anti-subsidy measures, the Commission initiated a new proceeding in respect of salmon imports from Norway, and proceedings for the review of measures concerning ball bearings from Thailand and imports of polyester fibres and polyester yarn from Turkey.

## **O. Relations with the OECD**

The relevant Council bodies continued their task of coordination aimed at actively participating and achieving progress in the OECD negotiations in order to bring about the conclusion of a multi-lateral agreement on investment by the OECD ministerial meeting in 1998 at the latest. In that context, they pursued the objectives laid down in the guidelines which the Council adopted in November 1995.

The Council and the representatives of the governments of the Member States meeting within the Council also adopted arrangements for their participation in those negotiations. In those arrangements, they undertook to cooperate closely during the negotiations and, in principle, to determine common positions to be defended jointly and in a concerted way by the Commission and the Member States.

**P. Financial aid for non-member countries**

In 1996 the Council held wide-ranging discussions on the conditions and the volume of the European Investment Bank's activities in non-member countries. The Council reached agreement on the guidelines to be followed in the granting of the Community budget guarantee for EIB loans to non-member countries. The new system is based *inter alia* on risk-sharing between the Community budget and the EIB. The EIB is accordingly invited to obtain adequate cover for the commercial risks involved in respect of a major proportion of its loans, with the Community budget covering only political risks.

In addition, the Council decided to grant a Community guarantee for EIB loans to Latin

America and Asia in 1996 worth ECU 275 million.

As regards macrofinancial aid operations, the Council decided to grant Moldova an additional loan of up to ECU 15 million for a maximum of 10 years, with the aim of supporting the balance of payments, consolidating the reserves situation and encouraging the necessary structural reforms that had already been partially initiated. It also decided to repeal a 1994 decision granting a loan of up to ECU 130 million to the Slovak Republic in view of the absence of an economic policy agreed on between the Community and the Slovak Republic and the clear improvement in the Slovak Republic's balance of payments and foreign exchange reserves.

Annual report on progress achieved  
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## I. ENLARGEMENT OF THE EUROPEAN UNION

1. The Luxembourg European Council confirmed that as a prerequisite for enlargement of the Union, the operation of the institutions must be strengthened and improved in keeping with the institutional provisions of the Amsterdam Treaty.

### A. European conference

2. A European conference will bring together the Member States of the European Union and all the European States aspiring to accede to it and sharing its values and internal and external objectives. The criteria and principles to which States will be required to subscribe in order to be invited to take part in the conference were laid down.

3. The conference will be a multilateral forum for political consultation, which will address questions of general concern to the participants in order to broaden their cooperation on foreign and security policy, justice and home affairs, and other areas of common concern, particularly economic matters and regional cooperation.

4. The first meeting of the conference will be in London in March 1998. At the Presidency's invitation, Heads of State or Government and the President of the Commission will meet at the conference once a year, as will the ministers for foreign affairs.

5. At present, the EU offer is initially addressed to Cyprus, the 10 applicant States of central and eastern Europe (Hungary, Poland, Estonia, the Czech Republic, Slovenia, Romania, Slovakia, Latvia, Lithuania and Bulgaria) and Turkey.

### B. Accession process

6. The decisions required to launch the process of enlarging the Union were taken on the basis of the Commission's opinions on the 11 applicant countries, its composite paper 'Agenda 2000', the proceedings of the Council (in its general affairs, Ecofin and agriculture formations) and a report from the Luxembourg Presidency.

7. As part of the implementation of Article O of the Treaty on European Union and to put into effect the decision of the Luxembourg European Council, the accession process will be launched on 30 March 1998 by a meeting of the ministers for foreign affairs of the 15 Member States of the European Union, the 10 central and east European applicant States and Cyprus.

8. This single framework at ministerial level will be supplemented by another element common to all applicant countries, namely an enhanced pre-accession strategy, centring on the new instrument of accession partnerships, increased pre-accession aid and a specific pre-accession strategy for Cyprus.

9. A procedure for reviewing each applicant country's progress was established. The Commission will make regular reports to the Council reviewing progress towards accession. These reports, which will be drawn up for the first time at the end of 1998, will serve as a basis for taking the necessary decisions on the conduct of the negotiations or their extension to other applicants.

10. The European Council decided to convene bilateral Intergovernmental Conferences in the

spring of 1998 to begin accession negotiations with Cyprus, Hungary, Poland, Estonia, the Czech Republic and Slovenia.

11. At the same time as the above, the preparation of negotiations with Romania, Slovakia, Latvia, Lithuania and Bulgaria will be speeded up through an analytical examination of the Union *acquis* and in discussions at ministerial-level bilateral meetings with the Member States of the Union.

### **C. Strategy regarding Turkey**

12. The European Council confirmed Turkey's eligibility for accession on the basis of the same criteria as those applying to the other applicant States. It noted, however, that the political and economic conditions allowing accession negotiations to be envisaged were not satisfied.

13. A strategy was therefore drawn up to prepare Turkey for accession by bringing it closer

to the European Union in every field. This strategy consists of the following five points:

- development of the possibilities afforded by the Ankara Agreement;
- intensification of the customs union;
- implementation of financial cooperation;
- approximation of laws and adoption of the Union *acquis*;
- participation, to be decided case by case, in certain programmes and in certain agencies.

In addition, Turkey was invited to take part in the European conference.

14. At the same time the European Council pointed out that closer ties between the European Union and Turkey also depended on Turkey's moving forward in certain areas, including human rights, the protection of minorities, relations with Greece and the Cyprus question.

## II. AGENDA 2000 — THE POLICIES OF THE UNION AND THE FUTURE FINANCIAL FRAMEWORK

15. The second part of the comprehensive Presidency report presented, as requested by the Amsterdam European Council, to the Luxembourg European Council covered the sections of the Commission communication 'Agenda 2000' dealing with the development of the Union's policies and the future financial framework. This report was drawn up after detailed discussion in Council bodies of each of the aspects addressed in the Commission communication, namely:

- agricultural policy;
- economic and social cohesion;
- internal policies;
- external policies;
- aspects related to the future financial framework of the Union.

16. It was confirmed that the Union had to ensure in advance of enlargement that it would be in a position to cope with that process under the best conditions by making the adjustments deemed necessary to its policies and their financing within a predefined financial framework and bearing in mind the imperative of budgetary discipline.

17. Confirmation was also given of the Union's determination to continue developing the present European model of agriculture, while seeking to achieve greater internal and external competitiveness. CAP funding would be determined on the basis of the agricultural guideline.

18. Generally speaking, the Commission proposals contained in 'Agenda 2000' were considered to be an appropriate working basis for further negotiations. The Commission was invited to submit its proposals on all of these questions as soon as possible.

### III. INTERGOVERNMENTAL CONFERENCE

#### **A. Final stage of the negotiations**

19. Proceedings in the Intergovernmental Conference continued in the first half of 1997 in accordance with the working method established in Turin on 29 March 1996 with the aim of completing negotiations in Amsterdam in June 1997.

20. Work under the Dutch Presidency began on the basis of the preparatory proceedings and more particularly the 'general outline for a draft revision of the Treaties' submitted by the Irish Presidency to the Dublin European Council in December 1996.

21. In March 1997 the Dutch Presidency submitted an addendum to the Irish Presidency's document to a ministerial meeting of the Intergovernmental Conference held in Rome during celebrations for the 40th anniversary of the signing of the Treaties establishing the European Economic Community (EEC) and the European Atomic Energy Community (Euratom). Discussions focused on institutional issues and the introduction of enhanced cooperation into Titles V (CFSP) and VI (JHA) of the Treaty.

22. The wish to see the conference get down to real negotiation, the need for an early and clear definition of the way forward on topics such as institutional aspects, social questions and the CFSP, not to mention continuing differences between Member States and the imminent elections in the United Kingdom, prompted the Presidency to call an extraordinary meeting of the European Council. The meeting was preceded by numerous bilateral talks between the Presidency and Member States' delegations and by two meetings of the personal representatives and of the ministers.

23. On 23 May 1997 the Heads of State or Government met in Noordwijk to examine closely a number of the key issues of the conference, namely institutional questions, social policy and the CFSP and to reaffirm their determination to agree in Amsterdam on a Treaty which would provide optimum conditions for the enlargement of the Union.

24. The Intergovernmental Conference met at the level of Heads of State or Government in Amsterdam on 16 and 17 June 1997 and held its final discussion on the basis of an amended draft treaty that took account of delegations' contributions to the search for the necessary compromises. After two days of negotiation, the Heads of State or Government reached agreement on the Amsterdam Treaty.

#### **B. Amsterdam Treaty**

25. The Treaty of Amsterdam has endeavoured to produce practical responses to the challenges confronting the Union.

26. A key aim is to make the Union closer and more comprehensible to its citizens. A number of issues which impact directly on citizens in their daily lives have been addressed.

- The Treaty establishes the principle that decisions are to be taken as openly as possible. This includes a specific right for citizens to have access to European Parliament, Council and Commission documents, subject to a decision on general principles and limits. In addition, votes and statements in the Council minutes will automatically be made public when the Council acts in its legislative capacity.

- A new Treaty protocol sets out detailed legally-binding guidelines for applying the principles of subsidiarity and proportionality.
  - The Treaty strengthens the Union's commitment to fundamental rights, non-discrimination and equality between men and women.
  - It specifies the promotion of a high level of employment as an objective. It also introduces an explicit Treaty basis for a coordinated strategy for employment and establishes a coordination process on employment policy at Community level.
  - The Agreement on Social Policy, which previously only applied to 14 Member States, has been incorporated into the Treaty. The provisions in this chapter have been strengthened, in particular to help to combat social exclusion, as well as to ensure the application of the principle of equal opportunities and equal treatment of men and women at work.
  - The Treaty makes the achievement of sustainable development one of the explicit objectives of the Union. It highlights the need to integrate environmental protection requirements into the definition and implementation of all Community policies.
  - It underscores that a high level of human health protection will be ensured in the definition and implementation of all Community policies and activities. Furthermore, the Community shall complement the Member States' action in reducing drugs-related health damage, including information and prevention.
  - The Treaty establishes more clearly the objective of the promotion of the interests of consumers and of their right to information, education and to organise themselves in order to safeguard their interests.
  - Provisions have also been introduced to clarify and strengthen other Community policies such as: respecting and promoting the diversity of its cultures; countering fraud against the financial interests of the Community; strengthening customs cooperation; determining the conditions under which the provisions of the Treaty apply to the French overseas departments, the Azores, Madeira and the Canary Islands; recognising the handicaps of island regions; the association of the overseas countries and territories; acknowledging the role of services of general interest and the system of public broadcasting in the Member States; and improved protection and respect for the welfare of animals.
27. The Treaty aims to establish an area of freedom, security and justice and incorporates the following undertakings.
- Common action on issues such as asylum, visas, immigration and controls at external borders has been brought under Community rules and procedures.
  - The achievements of Schengen are to be incorporated into the framework of the Union.
  - The Union's ability to take more effective action to prevent and combat crime as well as to improve police and judicial cooperation in criminal matters, such as terrorism, offences against children, drug trafficking and fraud, as well as to prevent and combat racism and xenophobia, have been enhanced.
28. The common foreign and security policy (CFSP) has been improved in the following ways to make the external policies of the Union more coherent, effective and visible.
- Overall consistency will be strengthened by enhancing the role of the European Council

- in defining common strategies for the Union's foreign policy.
- Decision-making procedures will be significantly improved.
  - A High Representative for the CFSP, who will be the Secretary-General of the Council, will assist the Council and the Presidency in CFSP matters. The High Representative will also head a policy planning and early warning unit which will be established to provide policy assessments and more focused input into policy formulation.
  - The Union will have the capacity to negotiate and conclude international agreements to implement its common foreign and security policy.
  - The Union's security and defence objectives have been reformulated to take account of developments in this area since the Treaty on European Union was negotiated. The so-called Petersberg tasks (i.e. humanitarian and rescue tasks, peacekeeping and crisis management) are explicitly mentioned in the Treaty as aspects of the Union's security policy.
29. The new Treaty makes a number of institutional changes.
- The legislative procedure known as co-decision has been simplified and the scope of the legislative areas where this procedure applies has been significantly extended.
  - To facilitate decision-making within the Council, the areas where qualified majority voting is to be used for the adoption of acts by the Council have been extended.
  - The President of the Commission has been given greater powers to select Commissioners and to exercise policy leadership.
  - The powers of the Court of Justice have been extended and clarified in relation to the safeguarding of fundamental rights, action by the Union on asylum and immigration, and cooperation in police and judicial matters.
- The Court of Auditors' powers have been enlarged; the scope consultation of both the Committee of the Regions and the Economic and Social Committee has been extended.
  - To encourage greater involvement of national parliaments in the activities of the Union and to enhance their ability to express their views on matters which may be of particular interest to them, the conference of European affairs committees of national parliaments and the European Parliament (COSAC) is invited to express views on certain issues. Steps have also been taken to help ensure that national parliaments receive copies of consultation papers and legislative proposals in good time.
30. The Treaty introduces the concept of 'closer cooperation', with provisions seeking to strike a balance between the legitimate interests of those Member States which wish to pursue closer cooperation in particular areas within the framework of the Union and those Member States which choose not to join in such cooperation from the outset, while ensuring that the existing Union *acquis* is not eroded in any way.
31. A protocol annexed to the Treaty provides that at least one year before the membership of the Union exceeds 20, a conference of representatives of the governments of the Member States will be convened in order to carry out a comprehensive review of the provisions of the Treaties and functioning of the institutions and that in any case at the date of entry into force of the first enlargement the composition of the Commission will be changed in conjunction with the change in the weighting of votes in the Council.
32. After the agreement reached in Amsterdam the text of the Treaty underwent final harmoni-

sation and legal editing in all the official languages of the Union.

33. The Treaty was signed in Amsterdam on 2 October 1997, ushering in the phase of ratification by Member States.

### C. Post-Amsterdam

34. As requested by the European Council, the Council set about finalising the measures needed to ensure that the Treaty functions fully as soon as it enters into force.

35. A number of measures had to be taken before the Treaty was signed, e.g.:

- signature of the interinstitutional agreement on provisions regarding financing of the common foreign and security policy, which was signed in Strasbourg on 16 July 1997;

- definition of a solution giving legal effect to the United Kingdom's agreement to apply the directives already adopted on the basis of the Treaty's social provisions, a solution adopted by the Council on 24 July 1997 and the means of involving the United Kingdom in consideration of social measures before ratification of the Treaty.

36. Others had to be taken after signature. The Secretary-General of the Council submitted two reports to the Council, one on setting up the CFSP Policy Planning and Early Warning Unit, the other on the integration of the Schengen Secretariat into the General Secretariat of the Council.

37. Other work, including the incorporation of the Schengen *acquis* into the European Union framework, the preparation of an agreement with Norway and Iceland and the groundwork for arrangements to be concluded between the European Union and the WEU, was either begun or programmed.



## IV. FUNCTIONING OF THE INSTITUTIONS AND FINANCING OF THE UNION

### **A. Functioning of the institutions**

#### *European Parliament*

38. In 1997 the European Parliament continued its discussion of employment policy and of the enlargement of the Union, notably in preparation for the European Council meetings in November and December 1997. It also approved the Amsterdam Treaty.

#### *Economic and Social Committee and Committee of the Regions*

39. The Economic and Social Committee and the Committee of the Regions took part in legislative procedures, delivering their opinions on Commission proposals and, on their own initiative, produced a large number of opinions on subjects relating to European integration.

40. The Economic and Social Committee and Committee of the Regions made submissions to the Employment Summit held in Luxembourg in November 1997, contributing to the in-depth discussion.

41. In May 1997, on the eve of the conclusion of the Amsterdam Treaty, the Committee of the Regions mounted a large conference under the title 'European summit of the regions and cities'.

#### *Court of Justice and Court of First Instance*

42. The representatives of the governments of the Member States partially replaced the membership of the Court of Justice for the period 7 October 1997 to 6 October 2003 inclusive, appointing seven new judges and four new advocates-general. They also appointed one member

of the Court of First Instance of the European Communities until 31 August 2001 inclusive.

#### *Ombudsman*

43. The Ombudsman continued to act on complaints made against the institutions. The Ombudsman received 1 181 complaints during 1997, 196 of which were declared admissible. The Ombudsman successfully resolved 101 complaints during 1997.

As a result of an own-initiative inquiry Mr Söderman addressed recommendations to 14 European Union institutions and bodies, calling on them to adopt rules to facilitate public access to Union documents. Their replies are contained in the first special report by the European Ombudsman to the European Parliament.

#### *Other institutions and bodies*

44. The Court of Auditors drew up its annual report, including its statement of assurance, and seven special reports. It was consulted five times by the Council.

45. The European Monetary Institute was consulted by the Council on five occasions.

#### **(i) Interinstitutional relations**

46. Interinstitutional relations developed normally and in a consistently constructive spirit.

#### *Dialogue*

47. The political dialogue between the European Parliament, the Council and the Commission was particularly intense throughout 1997. In the first instance it took the usual form of

regular provision of information to the Parliament by the Presidency of the Council and members of the Commission with regard to their intentions, daily business and the outcome of their activities.

48. The dialogue between the Presidents of the European Parliament, Council and Commission — at plenary sessions in Strasbourg — was highly constructive and the opportunity for open discussion of all issues of current political concern to the individual institutions.

49. Of particular note was the signing of an interinstitutional agreement regarding financing of the CFSP. As well as laying down financial arrangements, this agreement establishes an ad hoc concertation procedure between the two arms of the budget authority and provides for the European Parliament to be consulted on the main aspects and basic choices of the CFSP and for the Parliament to be kept abreast of CFSP decisions entailing expenditure.

50. At the European Council meetings in Amsterdam and Luxembourg, following what is now normal practice, the President of the European Parliament engaged in direct dialogue with the Heads of State or Government, thus enabling the various parties involved in constructing Europe to exchange views at the highest political level.

#### *Parliamentary control*

51. Through its replies to the increasing number of oral questions from the European Parliament, whether at Question Time or in the context of oral questions with debate, the Council and Commission Presidencies kept the Parliament constantly informed of their institutions' views on areas of Community activity.

52. In 1997 the Council received 335 oral questions for Question Time and 45 oral questions with debate. The European Parliament also put 393 written questions to the Council.

53. The Commission received 689 oral questions for Question Time and 140 oral questions with debate. The European Parliament also put 3 838 written questions to the Commission.

54. Particularly useful was the participation of the Council Presidency and members of the Commission in parliamentary committee proceedings, where they provided full and detailed information on work in progress and heard the views of the European Parliament at a formative stage of the decision-making process.

55. The findings of two temporary committees of inquiry set up in 1996 (BSE and Community transit system) were presented in plenary and the Council Presidency and the Commission took part in the debates held in March and November.

#### *Council Presidency attendance*

56. The Dutch and Luxembourg Presidencies presented their programmes to the plenary session of the Parliament and later reported the outcome of their six-month activities, particularly the results of the European Council meetings. Both Presidencies also took part in the major debates in plenary session on issues relating to the European Union and on the situation in non-member countries.

57. The Presidency also took part in the debate on the annual CFSP report and in that on justice and home affairs activities. The Presidency also took the floor in the yearly debate on the state of the Union.

58. Both Presidencies also addressed the Economic and Social Committee and the Committee of the Regions to explain the salient points of their programmes.

#### **(ii) Legislative process**

59. In 1997 there were 154 simple consultations of the European Parliament and 15 requests for assent.

60. The Council communicated 14 common positions to the European Parliament under the co-operation procedure and 28 common positions under the co-decision procedure.

The European Parliament and the Council adopted 29 legislative acts under the co-decision procedure (22 directives and 7 decisions), 20 of them being the result of successful conciliations.

61. The Economic and Social Committee was consulted on 105 occasions and the Committee of the Regions on 12 occasions.

### **(iii) Subsidiarity and proportionality**

62. In accordance with the principle of subsidiarity, the number of proposals for new legislation fell once again. The Commission also took particular care to comply with the principle of proportionality both in its choice of instrument and in the consideration given to the likely impact of its proposals.

63. In the context of these principles and pursuant to the conclusions of the Edinburgh European Council, the Commission in its annual 'Better lawmaking' report confirmed that greater consideration was now being given to the principles of subsidiarity and proportionality, interested parties were being consulted more, texts were better drafted and existing legislation was being simplified and consolidated.

### **(iv) Transparency**

64. The Treaty of Amsterdam introduces a right of access to documents held by the European Parliament, the Council and the Commission, to which right it is for the Council and the Parliament, acting in accordance with the co-decision procedure and on the basis of a proposal from the Commission, to determine the general principles and limits.

65. Measures to increase transparency continued to be implemented in 1997.

66. The Council adopted 218 legislative acts within the meaning of the annex to its rules of procedure in 1997. These acts prompted 361 statements in the Council minutes which were released to the public in accordance with the code of conduct of 2 October 1995 on public access to the minutes and statements in the minutes of the Council acting as legislator.

67. As to open debates, in addition to policy debates on the Presidencies' six-monthly work programmes, a total of 16 issues of Community interest were the subject of Council discussions relayed to the public in 1997.

68. As regards public access to Council documents, there was very considerable growth in the number of applications for documents and an increase in the percentage of documents supplied (79 % in 1997 for the whole procedure).

69. In the case of Commission documents, 90 % of documents received a favourable reply at first instance and 53 % as a result of confirmatory applications.

70. Several institutions, bodies and agencies adopted measures to facilitate public access to their documents.

## **B. Financing the Union**

### **(i) Budgetary procedures**

#### *1998 budget*

71. The budget for 1998 embodies the budget authority's determination to apply, as in 1997, the same degree of budgetary restraint as exercised by Member States in preparation for EMU. While complying with this tighter budgetary discipline, the 1998 budget clearly reflects the priority accorded by the European Union to objectives relating to combating unemployment and to pre-enlargement measures.

72. At the end of the budgetary procedure, the budget adopted for 1998 provides for an overall

amount of ECU 91 012 987 786 in commitment appropriations (c/a), representing an increase of 2.10 % over the 1997 budget. Payment appropriations (p/a) totalled ECU 83 529 167 286, a 1.41 % increase over the 1997 budget. The increase in non-compulsory expenditure (NCE) stands at 4.79 % in c/a and 4.02 % in p/a in accordance with the Council classification.

(billion ECU)

	1998	1997	Change 1998/97 (%)
c/a	91.013	89.137	+ 2.10
p/a	83.529	82.366	+ 1.41
NCE (c/a)	48.558	46.340	+ 4.79
NCE (p/a)	41.010	39.425	+ 4.02

73. The 1998 budget includes allocations for the implementation of a new employment initiative, supplementing measures to stimulate economic growth such as the trans-European networks and research. The budget also provides for the continuation of projects in the areas of culture, information and consumer protection and for the furtherance of 'greening' policy.

74. With regard to external action, apart from the continuation of the MEDA and Tacis programmes, which are priorities for the Union, a development of note was the redirection of the Phare programme towards use as a major tool in the pre-accession strategy. The Commission was also invited to provide details in the budget of third countries' participation in the Union's internal policy, in the interests of their gradual integration into the Community *acquis*.

75. The budgetary procedure for 1998 saw the first application by the Council and the European Parliament of the new interinstitutional agreement regarding financing of the CFSP, which defines the budgetary rules applicable to the funding of CFSP activities.

### *Supplementary and amending budget for 1997*

76. A draft supplementary and amending budget for the financial year 1997 (SAB 1) was adopted, allocating the funds needed to set up structures for reorganising the Commission consumer protection departments and to increase the audit staff at the Court of Auditors and providing for entry of the budget surplus from the 1996 financial year.

### *Discharge of the 1995 budget*

77. The Council further adopted the recommendation to the European Parliament on the discharge to be given to the Commission in respect of the implementation of the general budget of the European Communities for the financial year 1995 and made a statement relating to the Court of Auditors' statement of assurance (DAS); it also examined the Court of Auditors' special reports relevant to the discharge.

### **(ii) Financial regulations**

78. The Commission's 1997 work programme for the fight against fraud against the Communities' budget envisages a number of specific measures. The Council adopted a series of conclusions supporting the Commission's general guidelines.

79. As part of the SEM 2000 initiative the Personal Representatives Group chaired by Ms Gradin and Mr Liikanen, Members of the Commission, drew up a report on sound financial management, the findings of which were endorsed by the Council.

80. In accordance with the provisions of the interinstitutional agreement, the Council, following a proposal from the Commission, decided on the technical adjustments to the financial perspective and the adjustments linked to the conditions for implementing the perspective.

81. The financial regulation was amended to take account of the entry into force of the provisions on the clearance of EAGGF Guarantee Section accounts.

## V. INTERNAL POLICIES

### **A. Progress towards economic and monetary union**

#### **(i) General economic situation and convergence**

82. Economic recovery took real hold during 1997. GDP growth in the Union was estimated at approximately 2.6 % in 1997, which is almost 1 % higher than the previous year.

83. Higher growth brought about a slight improvement in the employment situation in 1997, with approximately 700 000 new jobs being created. Nevertheless, the unemployment rate remained high (10.7 %).

84. The trend towards price stability convergence, begun in the previous three years, continued. In 1997 average inflation in the Union dropped to around 2.1 %, the lowest recorded rate since the inception of the Communities.

85. Budgetary consolidation in the Member States produced encouraging results; for the first time since 1992, the average public deficit in the Union is expected to fall below 3 % of GDP. In 13 Member States it is estimated that the 1997 deficit should be 3 % of GDP or less. Following successive increases over a number of years, the average public debt-to-GDP ratio in the Union dropped slightly to around 72 %.

86. Exchange rates within the EMS exchange-rate mechanism stayed relatively stable in 1997.

#### **(ii) Economic policy**

87. In 1997 the broad guidelines of the economic policies of the Member States and the

Community were formulated in the light of two fundamental policy concerns: a determination to reduce unemployment significantly and to achieve and maintain a high degree of economic convergence so that a large number of Member States will be in a position to participate in the third stage of economic and monetary union as from 1 January 1999.

88. The Union reaffirmed its commitment to a macroeconomic policy based on:

- monetary policy oriented towards price stability;
- sustained efforts to consolidate Member States' public finances;
- nominal wage trends consistent with price stability.

89. The broad guidelines of the economic policies also stress that most Member States need to undertake structural reforms if economic growth is to create more jobs. Above all, the markets for labour, goods and services must become more efficient.

90. The year 1997 was the fourth in which the procedure for avoiding excessive government deficits was applied.

• The Council found that the deficits in Finland and the Netherlands were no longer excessive, and so repealed the decisions taken in 1994 and 1995.

• On the other hand, the Council issued recommendations with a view to terminating

the public deficit situation in 10 Member States: Belgium, Germany, Greece, Spain, France, Italy, Austria, Portugal, Sweden and the United Kingdom.

- Lastly, in Denmark, Ireland and Luxembourg the budgetary situation was already free of any excessive deficit.

91. In 1997 the Council examined convergence programmes presented by Belgium, Germany, Spain, France, Italy, Portugal and the United Kingdom in the course of its multilateral surveillance of Member States' economies. In general, the Council found that these countries were making credible and sustainable efforts to achieve lasting convergence of economic performance with a view to the third stage of EMU.

### **(iii) Preparation for the third stage of economic and monetary union**

92. The year 1997 saw decisive progress towards the third stage of EMU. The finishing touches were put to the key legislation on the workings of the single currency. These key texts were accompanied by major political acts.

93. The European Council in Amsterdam in June reached agreement on the following items.

94. A Stability and Growth Pact to ensure lasting budgetary discipline during the third stage of EMU, comprising two Council regulations and a political resolution by the European Council. Under the Stability and Growth Pact, Member States committed themselves, amongst other things, to keep to a medium-term budgetary objective of close to balance or in surplus. A Council resolution on growth and employment amplified the pact.

95. The main features of the new exchange-rate mechanism linking the currencies of Member States outside the euro area to the euro. Accession to the new exchange-rate mechanism will

be voluntary, and should support efforts towards stability and convergence undertaken by the Member States.

96. The legal framework for the euro, comprising an initial Council regulation to guarantee legal certainty for all players (continuity of contracts, conversion rules and rounding off), was formally adopted in June 1997. A second Council regulation, which will be adopted formally as soon as it is known which States will be taking part in the euro, will lay down the principle of 'no prohibition, no compulsion' whereby Member States will be free to bring forward full implementation of the euro before 31 December 2001.

97a. The design of euro coins. For its part, the Council adopted a common position on a regulation on the denominations and technical specifications of euro coins in November 1997.

97b. In addition, the European Council in Luxembourg in December noted that the major part of the arrangements necessary for the transition to the single currency were in place. The European Council:

- decided that notes and coins in euro will be introduced as from 1 January 2002;
- noted that the Council had defined in a common position the unit values and technical specifications of the euro coins;
- noted that the Council and the European Parliament had agreed on the timetable and practical arrangements for preparing the decisions regarding confirmation of which Member States fulfil the necessary conditions, and for appointing the president, vice-president and members of the Executive Board of the European Central Bank;
- decided that the bilateral exchange rates which will be used to determine the conversion rates would be announced on 3 May

1998 for those States participating in the euro from the start;

- adopted a resolution on economic policy coordination in Stage 3 of EMU and on Articles 109 and 109b of the EC Treaty, incorporating the main principles of a Council report on preparation for the third stage of economic and monetary union setting out the principles and arrangements for strengthened economic coordination;
- confirmed that the Ecofin Council is the centre for the coordination of the Member States' economic policies;
- agreed that ministers of the States participating in the euro area may meet informally among themselves to discuss issues connected with their shared specific responsibilities for the single currency. Whenever matters of common interest are concerned they will be discussed by ministers of all Member States.

## **B. Employment**

98. The European Council adopted two resolutions at its Amsterdam meeting, one on the Stability and Growth Pact and the other on growth and employment. They provide for enhanced coordination of economic policies to complement the procedure envisaged in the new title 'Employment' in the Treaty; the European Council also expressed the wish that these provisions should take effect immediately.

99. Against this background, an extraordinary European Council meeting on employment was held in Luxembourg on 20 and 21 November 1997; Union-wide employment guidelines were laid down for 1998.

100. The guidelines pursue four main objectives:

- improving employability through action designed in particular to tackle youth

unemployment and prevent long-term unemployment by offering people a fresh start, easing the transition from school to work and encouraging the move to active rather than passive measures in employment policy;

- developing entrepreneurship;
- encouraging adaptability in businesses and their employees;
- strengthening equal opportunities policies.

101. These guidelines must now be given practical effect in the national action plans (NAPs) which each Member State has undertaken to submit by the end of April, so that they can be scrutinised before the European Council in Cardiff in June 1998. The NAPs will be subject to a common evaluation late in 1998, which might at the same time form the basis for setting guidelines for the following year.

## **C. Internal market**

### **(i) Horizontal questions**

#### *Action plan for the internal market*

102. The Commission followed up its 1996 'Report on the impact and effectiveness of the single market' by submitting its action plan for the single market to the European Council in June. The objective of the action plan and its four strategic targets is to improve the performance of the single market in the years ahead. It calls for a renewed political commitment from the Member States of the Union, the Commission and the European Parliament to make increased, concerted efforts to ensure that the single market is working properly by 1 January 1999.

103. The three Presidencies concerned (Luxembourg, United Kingdom and Austria) have submitted a joint work programme for implementation of the action plan. The first phase of the

programme concentrates on action which can be taken immediately on the basis of existing proposals. In the later stages, attention will focus more on new legislation, either to fill gaps in the present regulatory framework or to improve the internal market in areas where there are weaknesses. The work programme underlines the importance of simplifying legislation, both at Community and national level.

104. To measure Member States' progress as regards the timely and correct transposition into national law of the legislation that has already been adopted, the Commission submitted a paper entitled 'Single market scoreboard'.

104a. Progress was made on the SLIM programme (legislative simplification), in particular concerning the adoption of a first measure on legislative simplification within the Community framework (Intrastat).

104b. An informal ministerial meeting took place with the representatives of the CEEC in order to define the 'road map' to facilitate the adoption of the internal market *acquis* by the applicant countries.

### *Animal welfare*

105. At the beginning of 1997, measures were adopted updating the Union's existing provisions on the welfare of calves, in particular to phase out the narrow veal crate by 2006. It also agreed a measure setting standards and procedures for staging points for livestock on long journeys.

### **(ii) Free movement of goods**

106. Acting on instructions from the European Council, the Commission submitted a proposal for a Council regulation which would enable the Commission to intervene in order to re-

store the free movement of goods by requesting a Member State on whose territory serious obstacles to free movement have arisen to take the necessary measures to remove those obstacles.

### *Motor vehicles*

107. The directive on the masses and dimensions of vehicles other than passenger cars was duly adopted, as was the 'multi-directive' on certain elements and characteristics of two- or three-wheel vehicles, thus bringing about whole vehicle type-approval for such vehicles.

108. From 24 March 1998, when accession to the revised 1958 agreement of the United Nations Economic Commission for Europe takes effect, the Community will be in a position actively to participate in the establishment of vehicle standards in a broader international context, thus increasing the importance of harmonisation carried out under the agreement.

109. A directive increasing the maximum design speed of forestry and agricultural tractors was adopted, thus greatly enlarging the scope of the Community type-approval system for such vehicles.

110. A directive on pressure equipment was adopted following the successful outcome of the conciliation procedure between the European Parliament and the Council.

### **(iii) Customs union**

#### *Measures to combat fraud*

111. A regulation was adopted which will enhance mutual assistance between the authorities with regard to the application of the relevant customs legislation. An important feature of this instrument will be a new computerised system for the exchange of information.



112. Following the findings of the temporary committee set up by the European Parliament to investigate fraud in the Community transit system, the Commission submitted to the Council an action plan to tackle these problems and specific proposals for a thorough overhaul of the transit system.

#### *External relations*

113. Customs cooperation and mutual assistance agreements with the Republic of Korea, the United States, Switzerland and Canada were approved. In addition, a customs cooperation agreement was signed with Norway, authorising the Norwegian customs authorities to perform all checks on imports and exports and other formalities on behalf of the Finnish and Swedish customs.

114. Action to prevent the diversion of drug precursor chemicals continued. Bilateral agreements to this end were concluded with Mexico and the United States, and negotiations were held with Chile.

#### **(iv) Tax harmonisation**

115. Following a wide-ranging debate on the need for coordinated action at European level to tackle unfair tax competition, a package of measures was adopted which seeks to take account of the political and economic interests of the various Member States.

#### *Business taxation*

116. The Council and the representatives of the governments of the Member States meeting within the Council adopted a code of conduct containing a commitment on the part of the Member States not to introduce harmful measures which have, or may have, a significant effect on the location of business activity within the Union and to roll back any existing measures of this nature within five years from 1 January 1998.

#### *Taxation of telecommunications services*

117. A series of decisions was adopted authorising the 15 Member States to tax all supplies of telecommunications services at the place of the recipient, rather than the supplier, regardless of whether the supplier is situated outside or inside the Community. These measures are designed to combat tax avoidance.

#### *Excise duties on mineral oils*

118. The Council adopted a decision authorising the Member States to apply and to continue to apply reduced rates of excise duty or exemptions from excise duty to certain mineral oils, when used for specific purposes.

#### **(v) Financial area**

119. Work to complete the legal framework of the single market in the banking and stock-exchange sector continued, bearing in mind recent developments on the financial markets.

#### *Protection of consumer interests*

120. The European Parliament and the Council adopted two directives designed to protect consumer interests, one on cross-border credit transfers and the other on investor compensation schemes.

#### *Securities committee*

121. The common position with a view to adopting a directive designed, amongst other things, to set up a securities committee, was the subject of a co-decision procedure between the Parliament and the Council.

#### **(vi) Food sector**

#### *Substances used in manufacturing*

122. The European Parliament and the Council adopted a directive on the approximation of laws on extraction solvents used in the production of foodstuffs and food ingredients.

### *Specific foodstuffs*

123. The European Parliament and the Council adopted a regulation on novel foods and novel food ingredients, necessitated by the emergence of new raw materials in the food sector, and by new procedures and new technologies, including biotechnology.

### *Food safety*

124a. The Commission submitted a communication on consumer health and food safety and a Green Paper on the general principles of food law in the Community.

124b. On the basis of previous discussions within the Council, the Luxembourg European Council adopted a declaration on food safety.

## **(vii) Telecommunications**

### *Liberalisation of telecommunications services*

125. In order to meet the 1 January 1998 deadline for liberalisation of telecommunications services, efforts this year have concentrated on completing the legislative framework needed to create the new liberalised telecommunications environment.

126. The Council adopted three key directives in this area:

- a directive on the interconnection of telecommunications networks and interoperability of services and the provision of a universal service to all users throughout the European Union;
- a directive on licensing in the field of telecommunications services which sets out common rules regarding the procedures and conditions for providing telecommunications services after 1998;
- a directive adapting the framework directive on open network provision (ONP) and the leased lines directive.

127. The Commission submitted its latest report on the state of national implementation of telecommunications regulations for the post-1998 environment.

### *Other measures*

128. The Council adopted a decision on an action in the field of personal satellite communications services and a decision on a series of guidelines for trans-European telecommunications networks (TEN-Telecom).

129. Looking to future developments in the telecommunications sector, conclusions were adopted on the development of mobile and wireless communications (known as UMTS, or the third generation of mobile telephones).

## **(viii) Postal services**

130. A directive was adopted to pave the way for the gradual liberalisation of postal services within the European Community whilst at the same time improving quality of service.

## **(ix) Statistics**

131. The Union took a major step towards the harmonisation of statistics at Community level by adopting a framework regulation on Community action in the field of statistics. The framework regulation defines principles for the collection and dissemination of statistics for Community purposes and defines national and Community responsibilities.

## **D. Agriculture and fisheries**

### **(i) Agriculture**

132. Particular attention focused on the agricultural aspects of the Commission's 'Agenda 2000' communication, designed to set out the guidelines for the future of the CAP.

133. In November 1997, it was agreed that the reform process begun in 1992 should be continued,

stepped up, adjusted and rounded off, as part of a comprehensive strategy that would also involve concluding the 1992 reform for Mediterranean products; this strategy will seek to make the European agricultural and agri-foodstuffs sectors more competitive both in internal and external markets while developing the 'European' model of agriculture.

134. The reform should thus lead to economically sound, viable solutions which are socially acceptable and make it possible to ensure fair income, to strike a fair balance between production sectors, producers and regions and to avoid distortion of competition.

135. A whole series of decisions was adopted in 1997, some on day-to-day management of the CAP and some to adjust or reform particular arrangements.

#### *1997/98 prices*

136. The Council adopted the 1997/98 price package without making any significant amendments to the Commission proposals for a freeze on most prices and related measures. This was by way of a transitional package, pending the reform proposals to come under 'Agenda 2000'; it maintained the policy of stability and simplification pursued since the 1992 reforms, with adjustments in line with the budgetary situation.

#### *Market management*

137. The general rules for granting aid for flax and hemp were amended to make sure that the aid is paid only for areas actually used, thus avoiding any speculative operations.

138. A reform of the hop sector, designed to bring the regime more into line with market realities, was given the go-ahead; it simplifies the regime and gives producer groups greater autonomy and flexibility.

139. The arrangements for durum wheat were reformed by replacing the system of national registers of production rights by a system of maximum guaranteed areas (MGAs) for each producer Member State, making it compulsory to use certified seed and introducing measures to make sure that aid is granted only on the wheat actually harvested.

140. The Council adopted a regulation laying down general rules for the application of measures to improve the production and marketing of honey which will enable the Community to contribute to national programmes specifically geared to assisting honey production.

141. The Commission submitted reports on possible reforms in the raw tobacco and olive oil sectors. A wide-ranging discussion was held, during which Member States had the opportunity to make known their views, giving the Commission appropriate criteria on which to base its formal proposals and in which the European Parliament's position will also be given due weight.

#### *Food quality and safety*

142. A whole series of measures was adopted on food, veterinary, plant-health and animal feed matters, most of them directly linked to the BSE crisis and measures to control the disease.

143. In this connection, the Council adopted a regulation establishing a system for the identification and registration of bovine animals and regarding the labelling of beef and beef products, which will make beef products traceable and thus guarantee highly effective monitoring. The Commission adopted a decision banning the use of specified risk material in human food and animal feed.

144. Other measures related to the ban on the use of hormones and hormone derivatives in stockfarming, the certification of animals and

animal products, the protection of calves as regards minimum space allowances (criteria for staging points), health problems affecting intra-Community trade in bovine animals, novel foods and novel food ingredients, including genetically modified organisms, protection against the introduction of organisms harmful to plants or plant products, and pesticide residues.

145. There was wide-ranging discussion of the agricultural aspects of the Commission Green Paper on food law, with particular emphasis on the need to adhere to the primary objectives of protecting human health and seeking the highest possible level of food safety.

146. Developments in the BSE situation were kept under scrutiny, with particular emphasis on the problem of monitoring, especially in the light of cases of fraud involving the export of meat from the United Kingdom. In addition to the adoption of tougher national measures, the Commission obtained support for tightening up the existing monitoring system.

147. As regards the European Parliament's action on BSE control, the Parliamentary Committee of Inquiry into BSE submitted its recommendations, which were debated in plenary session.

#### *Agri-monetary matters*

148. Measures were adopted to compensate for losses of income resulting from appreciable revaluations.

#### *External relations*

149. The Council took note of a Commission report on a study of the impact of Mediterranean third-country concessions, which it regarded as a useful initial approach to the discussion that should be supplemented and extended to other third countries, account being taken of the comments made on it by the Member States.

150. Negotiations for veterinary equivalence agreements continued with various partners.

Negotiations with the Czech Republic were concluded, while negotiations with Canada and the United States reached the finalisation stage.

151. The Community and the Member States took part in the revision of the International Plant Protection Convention (IPPC) at the UN Food and Agriculture Organisation (FAO) in order to adapt it to the new situation resulting from the Sanitary and Phyto-Sanitary (SPS) Agreement reached at the WTO.

152. Given the increased importance attached by the WTO to the standards and other texts adopted by the Codex Alimentarius Commission (CAC), the Member States and the Community continued to step up their participation in the joint FAO and WHO programme.

153. In the context of United Nations discussions on sustainable development, the Community and the Member States continued their joint efforts with a view to negotiation of a convention for the protection of all types of forest.

#### **(ii) Fisheries**

##### *MAGP IV*

154a. The decision on multiannual guidance programmes (MAGP IV) was adopted, establishing a quantitative and qualitative framework for action to restructure the Community fisheries sector over a five-year period starting on 1 January 1997, in order to achieve a sustainable balance between resources and fishing effort.

##### *TACs and quotas*

154b. A package of measures was adopted concerning TACs and quotas for 1998.

##### *Technical conservation measures*

155. A regulation on technical conservation measures was adopted, aimed at increasing the effectiveness of existing measures by introducing more precise definitions, specifying the mesh sizes to be used for catching certain

species, other characteristics of fishing gear and the minimum sizes of marine organisms as well as by imposing restrictions on fishing within certain areas, at certain times, with certain gear and equipment.

#### *VMS*

156. The control system applicable to the common fisheries policy received a boost with the adoption of a regulation providing for the establishment by Member States of fisheries monitoring centres and the application of satellite-based vessel monitoring systems (VMS) to track fishing vessels flying their flag.

#### *External relations*

157. Conclusions were adopted regarding policy on fisheries agreements, setting out guidelines regarding the framework within which the Community will conclude future fisheries agreements and protocols with third countries.

### **E. Transport**

#### **(i) Inland transport**

##### *Combined transport*

158. To promote combined transport, a regulation was adopted to extend the previous system of temporary aids to cover 1996 and 1997.

##### *Road transport*

159. A number of measures were adopted:

- considerable progress was made towards opening up the road passenger transport market, with the adoption of two regulations, one on access to the market for international passenger transport and the other on road passenger cabotage (non-resident carriers operating transport services within a Member State);
- a directive amending the 1991 basic directive on driving licences for the second time

(laying down a Community code relating to conditions and restrictions attaching to driving licences);

- the Council adopted conclusions on the financing of the trans-European transport network (TEN) with a view to speeding up implementation of TEN projects by means of public-private partnerships;
- the Council also adopted conclusions on social harmonisation in road transport.

##### *Road safety*

160. The Council held a public debate on road safety in the European Union on the basis of a Commission communication on the road safety programme for 1997 to 2001; it called on the Commission to submit suitable proposals.

161. The Council also adopted a resolution on the deployment of road transport telematics (RTT), in particular electronic fee collection, and conclusions on a Community strategy and framework for the deployment of RTT in Europe.

##### *External relations*

162. The Council held a meeting, as part of the structured dialogue, with the ministers for transport of the associated central and east European countries on access to transport markets and the gradual adoption of the *acquis communautaire*, together with topics relating to transit and border crossings.

163. As far as bilateral relations are concerned, an agreement was concluded with the Former Yugoslav Republic of Macedonia (FYROM), providing, amongst other things, for Community carriers to have free transit through the FYROM.

164. An additional protocol to the agreement with Slovenia in the field of transport was concluded, providing for a system of 'ecopoints' equivalent to that laid down in Protocol 9 to Austria's Act of Accession to the Union.

165. Further progress was judged necessary before the negotiations for an agreement on land and air transport with Switzerland could enter the final phase.

## **(ii) Air transport**

### *Liberalisation of air transport*

166. Following the third air transport liberalisation package adopted in 1992, 1 April 1997 saw the completion of the single market in Community aviation, so that any Community air carrier can now exercise cabotage rights within a Member State.

### *Air-carrier liability*

167. Given that the 1929 Warsaw Convention accords inadequate protection to accident victims and their next of kin as regards air-carrier liability, the Council adopted a regulation on the subject designed chiefly to regulate the limits on air-carrier liability in the event of death, wounding or any other bodily injury.

### *External relations*

168. Following preliminary talks, the development of the negotiating mandates given the Commission to begin negotiations with the United States and with the associated central and east European countries was kept under scrutiny.

## **(iii) Shipping**

### *General framework for action*

169. In the light of a communication from the Commission entitled 'Towards a new maritime strategy', the Council adopted a resolution on a strategy for the competitiveness of Community shipping.

170. Following submission of a progress report from the Commission, the Council adopted conclusions on short sea shipping designed to give the sector fresh impetus.

### *Safety at sea*

171. A directive was adopted to set up a harmonised safety regime for fishing vessels of 24 m in length or over.

### *External relations*

172. Decisions were taken on mandates for negotiations with a view to concluding agreements on shipping between the Community and India and China.

## **(iv) Measures affecting all modes of transport**

173. A harmonisation measure of general application was adopted in 1997; its immediate repercussions will be most obvious in the transport, tourism and communications sectors. The measure is the eighth directive of the European Parliament and of the Council harmonising the dates and times for the beginning and end of summer time throughout the Community for the period 1998 to 2001.

174. Another measure of strategic importance for the future of air transport safety, but also for other areas such as rail and road transport and shipping, is the preparation of an agreement between the European Community, the European Space Agency and Eurocontrol on a European contribution to the development of a global navigation satellite system.

## **F. Social policy**

### *Extension to the United Kingdom of certain directives on social matters*

175. At the European Council meeting in Amsterdam, the United Kingdom decided to accede to the social provisions of the new Treaty and also agreed to apply the directives which have already been adopted under the Agreement on Social Policy and those which may be adopted before the Treaty enters into force. The United Kingdom will now be invited to express its views in discussions on acts to be adopted on the basis of the social protocol.

176. The directive on the establishment of a European works council and the directive on the framework agreement on parental leave have thus been extended to the United Kingdom.

#### *Free movement of workers and social security for migrant workers*

177. At the end of the year, the Commission submitted two proposals to the Council, one on safeguarding the supplementary pension rights of employed and self-employed persons moving within the European Union, and the other extending Regulation (EEC) No 1408/71 to nationals of third countries.

#### *Working conditions*

178. The directive concerning the framework agreement on part-time work, concluded by UNICE, CEEP and the ETUC, was adopted. This is the second time that an agreement between the social partners has been implemented. Measures have already been taken to extend the directive to the United Kingdom.

#### *Health and safety at work*

179. A directive on protection against the risks related to exposure to carcinogens (limit value for benzene) was amended.

#### *Equal treatment for men and women*

180. This is one of the four main lines of action in the 1998 employment guidelines.

181. Furthermore, the incorporation of the social protocol's provisions into the Treaty has made it possible to broaden the principle of equal pay to encompass provisions on equal opportunities in matters of employment and occupation and has given scope for adopting specific advantages to compensate for deficiencies in professional careers.

182. In 1997 the Council adopted a directive on the burden of proof in cases of discrimination

based on sex, requiring the respondent (the employer) to justify the apparent difference in treatment. The Commission will submit a proposal for extending the directive to the United Kingdom very shortly.

183. In accordance with the conclusions of the European Council meeting in Madrid in December 1995, the Council carried out its second annual stocktaking of the follow-up to the fourth UN World Conference on Women, held in Beijing, in September 1995.

#### *Vocational training and the social dimension*

184. This is also one of the lines of action in the 1998 employment guidelines. Following its 1996 Green Paper, in 1997 the Commission submitted, amongst other things, a communication on promoting apprenticeship training in Europe and a further communication on the human dimension of the information society.

## **G. Education and young people**

### **(i) Education**

#### *Socrates programme*

185. The European Parliament and the Council adopted a decision increasing the financial framework for the last two years of the Socrates programme by ECU 70 million. The general objective of the programme is to encourage cooperation, increase mobility and bring out the European dimension in all sectors of education.

#### *European cooperation*

186. The Council adopted conclusions on European cooperation with a view to a communication from the Commission on the future of European cooperation in the fields of education, vocational training and youth and following a Commission communication giving a review of reactions to the White Paper 'Teaching and learning: towards a learning society'.

### *Languages*

187. In a bid to help increase language knowledge in Europe, the Council adopted a resolution on the early teaching of European Union languages.

### *Racism and xenophobia*

188. A statement on respecting diversity and combating racism and xenophobia was adopted, emphasising the importance of the role of education, at all ages and all levels, in creating understanding and knowledge of other people. In this connection, 21 March each year was proclaimed a 'Festival of cultural differences' in educational establishments.

### *Other measures*

189. The Council also adopted conclusions on:

- safety at school, education;
- evaluating quality in school education;
- information and communication technology and teacher training for the future.

### **(ii) Young people**

#### *Racism and xenophobia*

190. On the occasion of the European Year against Racism, a declaration was adopted on the fight against racism, xenophobia and anti-Semitism in the youth field.

## **H. Culture**

### *Ariane programme*

191. The European Parliament and the Council adopted a decision on the implementation at Community level of a programme of support (1997/98) in the field of books and reading, particularly through translation of European works (Ariane), which was given a budget of ECU 7 million.

### *Raphael programme*

192. The European Parliament and the Council also adopted a decision establishing a Community action programme in the field of cultural heritage (Raphael), the main aim of which is to support and supplement, through cooperation, the action taken by the Member States in support of every facet of cultural heritage of European importance.

### *Cultural action*

193. The Council adopted a decision regarding the future of European cultural action and asked the Commission to examine the possibilities for an approach involving a comprehensive and transparent guideline for Community cultural action and submit proposals for the future of such action by 1 May 1998.

### *Fixed book prices*

194. A decision on cross-border fixed book prices in European linguistic areas was adopted.

### *Music*

195. The Council adopted conclusions on the role of music in Europe and asked the Commission to submit proposals for supplementing Member States' action.

## **I. Information society and audiovisual industry**

### *'Television without frontiers'*

196. The European Parliament and the Council adopted a directive amending the so-called 'television without frontiers' directive. This new text included a number of amendments and significant innovations, particularly concerning:

- the provisions concerning the broadcasting of 'events of major importance for society', aimed at preventing such events from being broadcast exclusively so as to deprive a substantial proportion of the public of the possibility of following such events via



live coverage or deferred coverage on free television;

- a more detailed definition of the Member State with jurisdiction for television channels;
- the definition of 'European works', which has been enlarged to include co-productions with certain third countries.

### *Internet*

197. A multiannual Community programme to stimulate the establishment of the information society in Europe was adopted. The Council also held an open debate on the Internet which centred on ways in which the network could be used for teaching in schools.

198. The Commission submitted an action plan (1998–2001) on the safe use of the Internet for encouraging users and industry to develop adequate systems of self-regulation and ensure compatibility between the approach taken in Europe and elsewhere.

199. In response to the Council resolution on illegal and harmful content on the Internet, the Commission submitted an interim report on the initiatives taken or planned in the European Union to combat illegal and harmful content on information networks such as the Internet.

### *Electronic commerce*

200. The Council adopted conclusions in this emerging field on both 'electronic commerce' and 'digital signatures and encryption' in response to Commission communications on these topics. These initiatives promote the development of electronic commerce in Europe and are aimed at creating a climate of security and trust in electronic communications by setting up a common European framework for digital signature and ensuring the successful operation of the internal market in encrypted products and services.

## **J. Public health**

### *Health monitoring programme*

201. The programme of Community action on health monitoring was adopted as part of the action to be taken in the public-health field. With an allocation of ECU 13.8 million, it completes the run of programmes in the five areas initially identified as having priority and is intended to help evaluate the health situation in the Community and to assist with the planning and assessment of Community programmes and actions and health policies in the Member States.

202. The Commission submitted three new proposed action programmes for rare diseases, pollution-related diseases and prevention of injuries.

### *Communicable diseases*

203. Cooperation in the EU–US Task Force for Communicable Diseases, which was set up in 1996 in the context of transatlantic relations with the United States, continued at technical level.

204. Developments in the situation regarding transmissible spongiform encephalopathies, and particularly possible links between BSE and new-variant Creutzfeldt–Jakob disease, were closely monitored.

### *Other measures*

205. The Commission submitted a proposal for a recommendation on the suitability of blood and plasma donors and the screening of donated blood in the European Community.

206. The Council called upon the Commission to examine matters arising from the problem of quality and safety of organs and tissues of human origin intended for medical use and the situation in the Member States with regard to this problem.

207. As part of its monitoring of the health situation in general, the Council adopted a resolution concerning the Commission report on the state of women's health in the European

Community, which also included a number of suggestions for the drafting of future reports on the health situation in the Community.

## **K. Consumer protection**

208. In the areas of comparative advertising, price indication, distance selling and consumer credit, European Parliament and Council directives were adopted as described below:

- the directive on comparative advertising which sets out the conditions under which this form of advertising is permitted and the arrangements for monitoring it;
- the price indication directive whose aim is to ensure greater transparency by indicating both the selling price and the price per unit of measurement;
- the directive amending the directive on consumer credit, whose aim is to standardise the formula for calculating the actual percentage rate of charge;
- the directive on the protection of consumers in respect of contracts negotiated at a distance (distance selling), which provides for consumers to have the right to be informed and to cancel contracts.

209. The role of consumer associations and public bodies to protect consumers will be strengthened, particularly across borders, by a directive on injunctions for the protection of consumers' interests on which the Council adopted its common position.

210. The Council held a public debate on consumer policy in a changing environment.

## **L. Industry**

### **(i) Industrial policy**

#### *Competitiveness of European industry*

211. Conclusions were adopted on the future organisation of work in this area. The Council

will thus be organising an annual general debate on competitiveness, based on regular reports from the Commission and Member States and/or contributions from industry itself. The results of the comparative assessments of industrial competitive performance (benchmarking) and the possibilities for improved dialogue with industry will be taken into account.

212. The Commission was invited to elaborate a report on how structural policies can best assist the least-favoured areas without this resulting in plant closure in other parts of the Community.

#### *Competitiveness of information and communication technologies (ICT)*

213. Conclusions were also adopted for this sector. It was agreed to focus on a number of key topics, such as research and development, standardisation processes, completion of the internal market, support for SMEs, education and training and access to world markets.

214. As part of the process of implementing and updating the action plan to promote the competitiveness of ICT industries, conclusions were adopted on electronic commerce, a field which has the potential to be of great importance for competitiveness, economic growth and employment in Europe.

#### *Mergers*

215. A new merger control regulation was adopted, enabling the scope of existing Community provisions to be extended to cover 'multi-national' cases, i.e. those submitted to the competition authorities of several Member States at the same time, while remaining below the minimum turnover thresholds required for the regulation to be applied.

#### *State aid*

216. The Commission submitted a proposal for exempting certain horizontal categories of State aid from the Commission notification requirement, which should enable the Commission to

focus on the most significant examples of government aid to the potential detriment of market competition.

217. For each eligible category of horizontal aid, the Commission should adopt specific regulations on exemption, specifying the aim of the aid, the categories of beneficiaries, the thresholds involved and the monitoring conditions.

### *Shipbuilding*

218. The Council adopted conclusions which stated that there was a qualified majority in favour of a specific new aid regime for shipbuilding (Option 3 of the Commission paper 'Shipbuilding policy — options for the future — first reflections'), together with extension of the seventh directive until 31 December 1998, on the understanding that the seventh directive would lapse automatically as soon as the OECD agreement had been ratified by the United States or a new regime on shipbuilding policy adopted.

219. The Council here took note of the Commission's intention of taking appropriate measures on the basis of the seventh directive should it be necessary to avoid a legal vacuum.

220. While confirming that the standstill clause in the OECD agreement still applied, the Council also approved the Commission proposal to grant aid to specific shipyards in Spain, Greece and Germany on certain conditions.

221. The Commission submitted a proposal for a regulation establishing new rules on aid to shipbuilding.

### *Other matters*

222. The Commission presented a communication on the European aerospace industry meeting the global challenge, the internal market action plan and the rolling action plan on Europe's place in the global information society.

223. Matters also discussed were research and development as a factor in industrial competi-

tiveness and employment, the competitiveness of the European textile/clothing and construction industries and the role of small and medium-sized enterprises (SMEs) in increasing the competitiveness of European industry and creating jobs.

### **(ii) Steel industry**

224. As part of the restructuring of the steel industry, the Commission submitted its seventh and eighth half-yearly reports on the close monitoring of the State aid authorised in 1993 and 1995.

225. The Commission presented its communication entitled 'Expiry of the ECSC Treaty — Financial activities' in the light of the Amsterdam European Council's conclusions (implementing the conclusions means determining the arrangements for the succession of the ECSC, management of the ongoing business and assets and allocation to research of revenue deriving from the management of the ECSC reserves).

### **M. Structural and cohesion policies**

226. To encourage economic and social progress and promote reconciliation between Republicans and Unionists throughout Ireland, a regulation on Community financial contributions to the International Fund for Ireland for 1998 and 1999 (of approximately ECU 17 million per year) was adopted.

### **N. Research and technological development**

#### *Fifth RTD framework programme*

227. During 1997, work in the research sector concentrated on the preparation of the fifth research and technological development framework programme. This proposed framework programme aims at establishing a new approach to Community research policy designed to address contemporary issues and meet the aspirations of Europe's citizens, in particular as regards

employment, quality of life and competitiveness of European industry in the global economy.

#### *Fourth RTD framework programme*

228. The European Parliament and the Council approved a financial supplement to the fourth research and technological development framework programme of ECU 115 million, bringing the total budget of this programme to ECU 13 215 million. The supplementary funding is to be allocated to selected specific areas of research in order to finance some high-quality projects and to meet new research needs.

#### *First action plan on innovation*

229. Following the presentation by the Commission of this action plan on innovation, the Council adopted conclusions on ways to promote innovation, particularly within the fifth RTD framework programme. The aim is to foster a genuine innovation culture, based on a global approach taking into account all relevant factors. Particular attention will be paid to strengthening the ability of SMEs to absorb innovative technologies and know-how.

#### *Structured dialogue*

230. A structured dialogue with the associated countries of central and eastern Europe (CCEE) was held. At this meeting, ministers agreed to intensify the dialogue on RTD policy issues, to make full use of the possibilities for cooperation in the wider European context, and to explore means of facilitating full CCEE participation in the fifth framework programme.

#### *External relations*

231. The Union continued to reinforce its research links with third countries:

- a cooperation agreement was concluded with the Republic of South Africa;
- a cooperation agreement with the United States of America was signed on the basis of mutual interest and benefit;

- an agreement on nuclear safety, including research, was concluded with Kazakhstan;
- the Council further authorised the Commission to start negotiations for a scientific and technological cooperation agreement with the Russian Federation and, in the field of nuclear research, with Canada.

232. In the wider European framework, the Community continued to participate actively in cooperation on science and technology (COST), which was reinforced by three additional members, thus bringing the total number of members to 28 European partners. A ministerial conference held in Prague and co-chaired by the Presidency of the Union dealt with questions of enlargement, evaluation and future prospects of COST.

## **O. Environment**

### *Air quality*

233. The directive on emissions by non-road machinery (particularly earthmoving machinery) was adopted by the European Parliament and the Council.

234. Progress was made on the Commission proposals concerning passenger car and heavy goods vehicle emissions and also fuel quality, forming part of an overall strategy under the Auto-oil programme; the industry and for some time now also the NGOs have been cooperating closely with the Commission under this programme.

235. As part of the general strategy for reducing pollution by tropospheric ozone, the Commission submitted a proposal on the limitation of the emissions of organic compounds due to the use of organic solvents in certain industrial activities.

### *Water quality*

236. The 1980 directive on the quality of water intended for human consumption was revised.

237. The Commission submitted a proposal for a directive establishing a framework for Community action in the field of water policy, aimed at protecting surface waters and groundwater.

#### *Biocidal products*

238. Progress was made towards adopting the European Parliament and Council directive for the placing on the market of biocidal products, which is aimed at setting up a harmonised approach for authorising the placing on the market of products and active substances, by complementing existing Community legislation on similar products (e.g. pesticides).

#### *Other measures*

239. The Commission submitted a new proposal on the landfill of waste, laying emphasis on reducing the landfill of biodegradable waste.

240. The Council adopted a decision on a Community action programme promoting non-governmental organisations primarily active in the field of environmental protection, with an allocation of approximately ECU 10 million for the period 1998–2001.

241. The major strands of a Community strategy to combat acidification were the subject of discussion.

#### *External relations*

242. The principal effort in external relations was on the preparation and holding of the special session of the United Nations General Assembly (Ungass) in June 1997.

243. During Ungass, the Union played an active part and proposed new initiatives, notably on fresh water, which will be keenly followed up in 1998 both in the Commission on Sustainable Development and in international meetings.

244. In 1997 the international community was faced with the challenge of safeguarding the global climate and in particular reducing greenhouse emissions, mainly of CO<sub>2</sub>. During the very difficult negotiations in the run-up to the Kyoto Conference which adopted a protocol to the framework convention setting out specific obligations to stabilise and reduce such emissions, the Union — aware as it was of the importance of climate change as an issue — took the toughest stance of the whole international community when it proposed an emission reduction target of 15 % by 2010 and 7.5 % by 2005.

245. The Union was pleased at the outcome of the ninth conference of parties to the Montreal Protocol on protecting the ozone layer at which agreement on the progressive elimination of methyl bromide was successfully reached.

246. At the Helsinki Conference, which was held as part of the Barcelona process, the 15 Member States and their 12 Mediterranean partners decided on an action plan to combat desertification, and deal with coastal zone management, water management and waste.

247. With regard to the ban on imports into the Community of furs of wild animals captured with leghold traps, an agreement on humane trapping standards was successfully negotiated with Russia, Canada and the United States which will put an end to the use of such traps.

## **P. Energy**

#### *Framework programme*

248. With a view to rationalising the energy programmes and increasing the transparency of European Union action in the energy sector, the Commission submitted a proposal for a framework programme in the field of energy.

### *Energy and environment*

249. The Council adopted a resolution on renewable sources of energy together with a resolution on a strategy for promoting combined heat and power production. In a more general approach, it adopted conclusions on climate change and energy policy.

### *External relations*

250. The European Union's ties with third countries in this strategic area were strengthened with the adoption of a programme for promoting international cooperation (Synergy) and the approval of the conclusion of the Energy Charter Treaty.

251. In addition, the first joint ministerial meeting on energy was held as part of the structured dialogue with the countries of central and eastern Europe on 27 May 1997.

### *Nuclear energy*

252. Moves to ensure greater health protection for the citizens of the European Union continued with the adoption of a directive on medical exposures to ionising radiation.

253. With the aim of increasing nuclear safety throughout the world, the agreement on the accession of Euratom to the Korean Peninsula Energy Development Organisation (KEDO) was concluded, along with negotiating directives for a safeguards agreement between Euratom, France and the International Atomic Energy Agency (IAEA) in accordance with the Treaty of Tlatelolco. In addition, negotiating directives were adopted for the IAEA general programme for strengthening nuclear safeguard measures.

### **Q. Civil protection**

254. A decision establishing a Community action programme in the field of civil protection was adopted in 1997, a year which again saw many natural disasters in Europe. This programme will enable improvements to be made in

the preparation of all those involved in civil protection, in intervention techniques and methods, and in the level of people's self-protection and the mobilisation of experts.

### **R. Justice and home affairs**

255. The action plan of 14 October 1996, which defined the priorities in the JHA field for 1997 and 1998, was updated at the end of the year to cover the period from 1 January 1998 until the entry into force of the Amsterdam Treaty.

256. The European Council meetings in Dublin and Amsterdam in turn gave the JHA bodies precise terms of reference in fields such as Europol (ratification of the convention by all Member States by the end of 1997), the effort to combat drugs and the fight against organised crime.

257. In the last-named field, the Amsterdam European Council approved the report from the High-Level Group on Organised Crime, including the timetable for the various tasks to be achieved, thus giving priority ranking to that field of activities.

258. Integration of the Schengen *acquis* into the European Union framework led to the initiation of preparatory work with a view to the entry into force of the future Amsterdam Treaty.

#### **(i) Asylum**

##### *Dublin Convention*

259. The Dublin Convention determining the State responsible for examining applications for asylum lodged in one of the Member States of the European Communities entered into force on 1 September 1997. Rules were approved to ensure that the convention is implemented uniformly and efficiently.

##### *Other measures*

260. In the field of asylum, emphasis was placed on practical cooperation between the

Member States' competent authorities, notably in the CIREA context.

261. The Council took a decision to verify the implementation of acts adopted relating to asylum.

262. The Commission submitted a proposal for a joint action on the temporary protection of displaced persons.

## **(ii) Immigration**

### *Voluntary return of third-country nationals*

263. In view of the high numbers of displaced third-country nationals resident in Member States of the European Union, notably as a result of the armed conflict in former Yugoslavia, a decision was adopted on the exchange of information concerning assistance for the voluntary repatriation of such persons.

### *Minors*

264. Faced with an increasing number of unaccompanied minors who are nationals of third countries, the Council adopted a resolution aimed on the one hand at securing adequate protection for such minors and on the other at limiting their numbers. The resolution is directed both at asylum-seekers and at those who are not seeking refugee status.

### *Marriages of convenience*

265. A resolution was adopted on marriages of convenience, a means increasingly used by third-country nationals to enter the European Union and/or acquire the right to reside there.

### *Rules on admission*

266. The Commission submitted a draft convention on rules for the admission of third-country nationals to the Member States.

### *External borders*

267. In the context of the structured dialogue and with a view to improving cooperation with the CCEE in the field of asylum and immigration, a decision was taken to send those countries a guide (working document) to effective practices for checks on persons at the external borders.

### *CIREA-Cirefi*

268. CIREA and Cirefi continued to exchange information on asylum and immigration.

269. CIREA examined the situation in several third States/regions from which asylum-seekers emanate. The UNHCR was invited to participate in that examination so that he could give his own analysis. Cirefi continued the exchange of information and its research into legal and illegal immigration.

270. The two bodies in question also continued their contacts with third countries and in particular with the CCEE and Cyprus in the framework of the structured dialogue, as well as with experts from the US and Canada in the framework of the transatlantic dialogue.

### *Visas and residence permits*

271. In view of the annulment by the Court of Justice of Council Regulation (EC) No 2317/95 of 25 September 1995 determining the third countries whose nationals must be in possession of visas when crossing the external borders of the Member States, the Council decided to consult the European Parliament anew, chiefly on the basis of the text of the annulled regulation.

### *False documents*

272. The exchange of technical information and the elaboration of mechanisms and tools for cooperation in combating illegal immigration continued, in particular, with the preparation of a coded reference system to alleviate the language problems encountered by European specialists

in document falsification and a guide to the detection of false and falsified documents for officials carrying out checks at borders. A 'Handbook of genuine documents of the Member States of the European Union', intended for the same officials, was finalised.

273. In addition, work was focused on the establishment of a common system for the archiving and transmission of images of genuine documents and of false and falsified documents.

### *Odysseus programme*

274. The Commission submitted to the Council a draft joint action introducing a programme of training, exchanges and cooperation in the field of asylum, immigration and the crossing of external borders (Odysseus programme).

### **(iii) Main areas of cooperation**

#### *Fight against organised crime*

275. As a follow-up to its conclusions at the Dublin meeting in 1996, the Amsterdam European Council adopted an action plan to combat organised crime. With a view to implementing the action plan, it was decided to set up a Multi-disciplinary Working Party on Organised Crime, responsible for furthering European cooperation in the field of combating organised crime.

276. In order to implement this action plan:

- the Council adopted a joint action establishing a mechanism for evaluating the application and implementation at national level of international undertakings in the fight against organised crime;
- the Council endorsed the general principles set out in a working document providing for the introduction of a project-based approach in the fight against organised crime;
- the Council took note of the annual report on organised crime in 1996, which de-

scribes how organised crime has developed in the Union and draws conclusions for future work;

- the Council decided to establish in its General Secretariat a team of eight national experts and practitioners to assist future Presidencies in carrying out the plan to step up the fight against organised crime.

#### *Fight against drugs*

277. Efforts relating to drugs focused on the implementation of the instruments adopted in 1996, in particular the joint action on the approximation of legislation and practices between Member States of the European Union with a view to preventing and combating drug addiction and drug trafficking.

278. The major event was the adoption of the joint action on the introduction of an early warning system on synthetic drugs, which makes it possible for the control measures applicable to psychotropic substances in the Member States also to apply to new synthetic drugs. The Europol Drugs Unit (EDU), the European Monitoring Centre for Drugs and Drug Addiction (EMCDDA) and the Commission each have a specific role as regards the exchange of information and risk evaluation.

279. Instruments were adopted in 1997 in the field of cooperation between police forces, customs and judicial activities and of cooperation at the external borders (Council resolution on a handbook for joint customs surveillance operations).

280. The fight against drugs is becoming increasingly important in the relations of the European Union with third countries or groups of third countries. Significant progress was made in defining the details of the cooperation arrangements for Latin America, the Caribbean and Asia. A fact-finding trip was organised to central Asia.



281. As regards international meetings, the preparation for the special session of the United Nations General Assembly in June 1998 in New York received great attention. Coordinated positions were adopted at preparatory meetings in 1997 in the framework of the UNDCP in Vienna.

### *Europol*

282. Work in this area was centred on preparing for Europol's start-up.

### *EDU activities*

283. In the framework of its powers, which were extended in 1996 to encompass trafficking in human beings, the EDU developed and widened its activities in 1997. Amongst these, mention should be made of the development of the drug purity indicator system, the determination of chemical characteristics, the LOGO project, the handbooks on drug production and growing, initiatives relating to the Balkan route and to Latin American organisations engaged in trafficking and work in hand on illegal motorcycle gangs.

### **(iv) Judicial cooperation in civil matters**

#### *Service of judicial and extrajudicial documents*

284. The Council adopted the Convention on the Service of Judicial and Extrajudicial Documents in Civil or Commercial Matters, which aims at improving and speeding up the transmission of documents between the Member States by enabling their transmission directly between decentralised authorities, such as courts and process servers, using modern equipment such as fax machines.

285. The Council at the same time adopted a protocol conferring jurisdiction upon the Court of Justice to interpret the abovementioned convention.

### *Other measures*

286. The Council approved a work programme for revision of the Brussels Convention of 1968

and the Lugano Convention of 1988 concerning jurisdiction and the enforcement of judgments in civil and commercial matters.

287. The Commission placed before the Council a communication entitled 'Towards greater efficiency in obtaining and enforcing judgments within the European Union'.

### **(v) Judicial cooperation in criminal matters**

#### *Protection of the European Communities' financial interests*

288. The Council drew up the second protocol to the Convention on the Protection of the European Communities' Financial Interests and decided to publish the explanatory report on the convention and on the protocol thereto.

### *Corruption*

289. The Council established a convention on the fight against corruption involving officials of the European Communities or officials of Member States of the European Union.

290. The Council further drew up two joint positions concerning negotiations in the OECD on the combating of corruption.

### *Extradition*

291. The Council decided to publish the explanatory report on the convention relating to extradition between the Member States of the European Union.

### **(vi) Police cooperation**

#### *Law and order and security*

292. Cooperation between police forces at gatherings in the broadest sense of the term was stepped up by a Council joint action, providing for cooperation between national coordination centres, the secondment of liaison officers, exchange of information and the organisation of annual meetings between heads of

central authorities responsible for law and order and security. On the subject of preventing and controlling football hooliganism, a resolution provides for exchange of experience, exclusion from stadiums and an appropriate media policy.

#### *DNA analysis results*

293. With a view to facilitating the exchange of DNA results, a resolution calls for the establishment of national DNA databases and for the standardisation of DNA technology and legal safeguards.

#### **(vii) Customs cooperation**

##### *Naples II Convention*

294. The act drawing up the Convention on Mutual Assistance and Cooperation between Customs Administrations (Naples II) was adopted at the end of 1997 and the convention signed. This convention replaces the Naples I Convention of 1967.

295. The customs administrations, as defined in the convention, are to prevent and investigate infringements of national customs regulations, and to prosecute and punish infringements of Community and national customs provisions.

296. The convention also provides for special forms of cooperation involving cross-border action for the prevention and prosecution of certain infringements, including hot pursuit, cross-border surveillance, controlled deliveries, covert investigations and the establishment of joint special investigation teams.

##### *Risk analysis*

297. The Council adopted a joint action for the refining of targeting criteria, selection methods, etc. and collection of customs and police information. This joint action constitutes a major instrument for the efficient planning of law

enforcement measures in combating drug trafficking.

##### *Joint customs surveillance operations*

298. In order to strengthen controls at the Union's external borders and improve the effectiveness of the fight against illicit trade in sensitive goods, particularly drug trafficking, the Council adopted a resolution concerning a handbook for joint customs surveillance operations.

299. In 1997 the Member States conducted various joint surveillance operations targeting air, sea and land traffic.

#### **(viii) Horizontal questions**

##### *Relations with the European Parliament*

300. The European Parliament was regularly informed of work in areas coming under Title VI of the Treaty. In particular, on several occasions the Presidency provided information to the Committee on Civil Liberties and Internal Affairs as well as to the Committee on Legal Affairs and Citizens' Rights. The Council also replied to a number of written and oral questions put by the European Parliament.

301. The Presidency consulted the European Parliament on most of the measures with a legislative character submitted by either the Commission or a Member State, starting that consultation when the Council began its examination. In this connection, the Presidency made more than 10 consultation requests to Parliament.

##### *Financing of activities under Title VI of the Treaty on European Union*

302. The main financial measures taken in 1997 involved the implementation of the four programmes adopted in 1996 in the legal (Grotius) and police and customs (OISIN) spheres, on combating the traffic in human beings (STOP) and on

document forgery (Sherlock). In all, 137 projects were financed, totalling ECU 6.5 million in commitments.

303. In addition, the Council adopted two joint actions aimed at making it possible to finance new projects for, respectively, the voluntary repatriation of displaced persons and improving admission facilities for asylum-seekers and refugees.

### *External relations*

304. Relations with third countries developed considerably in 1997 in accordance with the guidelines agreed in 1996. The Presidencies, in close cooperation with the Commission, played an important role in developing and managing contacts with third countries, notably those described below.

305. The structured dialogue with the CCEE focused on the issue of asylum in the first half of 1997 and judicial cooperation in the second half. Other meetings with the CCEE covered cooperation on drugs matters and checks at borders within the Cirefi and terrorism contexts. The CCEE attended a substantial number of seminars. Six essentially informative meetings at troika level were organised with JHA counsellors from the applicant countries on justice and home affairs proceedings.

306. Within the framework of the structured dialogue with Cyprus, meetings were held at ministerial level and with the K.4 Committee on the situation with respect to asylum and judicial cooperation. The Cypriot delegation attended a number of seminars.

307. The Council Presidency met with representatives of Norway and Iceland in the context of preparing for the agreements which the Council has to conclude with both these countries, on the basis of the protocol annexed to the Amsterdam

Treaty integrating the Schengen *acquis* into the framework of the European Union.

308. Within the transatlantic dialogue framework, high-level ministerial meetings were held, with cooperation covering in particular the issues of drugs and organised crime, asylum/immigration, cybercrime and terrorism. In addition, United States experts took part in a significant number of seminars and were invited to make a fact-finding visit to the EDU headquarters in The Hague.

309. Meetings were held with Canada concerning the implementation of the political declaration and the action plan and talks were held with the Canadian authorities. The Canadian delegation was invited to participate in a number of seminars of mutual interest.

310. Further to the conclusions of the second Euro-Mediterranean ministerial meeting, it was agreed that, in the framework of the MEDA programme, seminars would be arranged on organised crime, drug trafficking, car theft and illegal immigration.

311. Talks were held between the Presidency and representatives of Morocco and Turkey.

312. Talks were held with the Council of Europe, Interpol and the UNHCR. The Presidency also had contacts with The Hague Conference.

313. The Member States of the European Union and the Commission coordinated their positions at meetings of international organisations (e.g. the United Nations Drugs Commission, the OECD and the United Nations Crime Prevention Commission). The Union was also represented by the Presidency and/or the Commission at international forums such as *inter alia* the Visby Group (Task Force on Organised Crime in the Baltic Sea Region).

## VI. EXTERNAL POLICIES

### **A. International organisations and conferences**

#### **(i) Council of Europe**

314. Regular political dialogue between the European Union and the Council of Europe took place at the quadripartite meetings.

315. At the 9th and 10th quadripartite meetings (one such meeting is held each half-year and attended, on the Union side, by the Council and Commission Presidencies, and, on the Council of Europe side, by the Presidency of the Committee of Ministers and by the General Secretariat), all subjects of mutual interest were discussed; these included: the Amsterdam Treaty and the enlargement of the Union; the preparation of the second Council of Europe Summit in October 1997; assistance to the countries of central and eastern Europe and of the former Soviet Union; opportunities for cooperation under the Euro-Mediterranean partnership; coordination in crises; the establishment of the European Monitoring Centre on Racism and Xenophobia in Vienna; and cooperation on public health, culture, education and in the field of justice and home affairs.

#### **(ii) OSCE**

316. As a contribution to strengthening the OSCE's role in the European security architecture and to making the latter more effective, the Union took part in the OSCE Ministerial Council in Copenhagen (18 and 19 December 1997), in particular in the discussions on a 'Comprehensive security model for Europe for the 21st century'.

317. In the area of preventive diplomacy and crisis management, the Union supported OSCE

missions in the countries concerned, including Bosnia and Herzegovina (where it provided a contingent of Union supervisors for the local elections in September 1997) and in Albania.

318. The Union also actively contributed to preparing the mandate and to the appointment of the OSCE representative on freedom of the media, a new instrument for intervention and for monitoring commitments in an area crucial to the proper functioning of democracy.

#### **(iii) Process of stability and good-neighbourly relations in south-eastern Europe**

319. The Union pursued its efforts to develop the process of stability and good-neighbourly relations in south-eastern Europe, a regional initiative which was launched by the Union at Royaumont in December 1995 and which it envisaged will be incorporated into the OSCE in due course. The Union designated a coordinator for the process, Mr Roumeliotis, in particular to ensure its continuity and visibility and to work as a contact point for the participant countries with a view to the development of good-neighbourly relations through the organisation of schemes to bridge differences and promote cooperation in the area of civil society.

#### **(iv) Regional cooperation in the region of the Baltic Sea**

320. As regards the policy of encouraging regional cooperation as a means of strengthening stability and prosperity in Europe, positive developments in cooperation in the Baltic Sea region were highlighted.

321. A number of initiatives were pursued in this region involving an increased Union presence, in particular the Presidency and Commission attendance with a number of Member States at the sixth ministerial meeting of the Council of Baltic Sea States in Riga in July 1997.

322. The Luxembourg European Council noted a proposal concerning a northern dimension for the policies of the Union and requested the Commission to submit an interim report on the subject in 1998.

## **B. Security**

323. Increased coordination of positions on disarmament and non-proliferation enabled the Union to play a still more active part in international forums and to work for the widest possible accession to existing international instruments and agreements.

### **(i) WEU**

324. Relations between the Union and the Western European Union (WEU) continued to develop. Thus, joint informal meetings were held in 1997 to discuss matters of common interest.

325. The WEU Council of Ministers, meeting in extraordinary session, adopted a declaration on the WEU's role and its relations with the European Union and the Atlantic Alliance in which the WEU undertook to contribute to the gradual formulation of a common European Union defence policy, and also draw up, in conjunction with the European Union, arrangements designed to strengthen mutual cooperation.

326. In the same context, the Council noted the adoption by the second ordinary ministerial meeting of the WEU (Erfurt, November 1997) of a decision on the harmonisation of the sequence of the Presidencies of the WEU and Council of the European Union, which was adopted with a

view to strengthening cooperation between the WEU and the European Union.

327. The Council bodies have recently started framing the 'practical arrangements' provided for in the Amsterdam Treaty for implementing the provisions on relations with the WEU.

### **(ii) Anti-personnel Landmines**

328. The Union confirmed its commitment to the ultimate goal of total elimination of anti-personnel landmines worldwide as well as to contributing to solving the problems already caused by these weapons, aims already stipulated in its 1996 joint action.

329. A new joint action was adopted in 1997, with the aim of reinforcing the extensive political and practical actions already taken by the Union in pursuit of these objectives. In this joint action, the Union sought to promote, in all appropriate international forums, including the Conference on Disarmament, all efforts likely to contribute to the objectives to which it is committed.

330. These 1996 and 1997 joint actions also enabled the Union to make a significant financial contribution to international mine-clearance efforts, in particular those of the United Nations Special Fund and the International Committee of the Red Cross (ICRC).

331. In this context, the Union welcomed the Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-personnel Mines and on their Destruction, opened for signature in December 1997.

### **(iii) KEDO**

332. An agreement was concluded between the European Atomic Energy Community (Euratom) and the Korean Peninsula Energy Development Organisation (KEDO), whereby the latter is to receive substantial funds over a five-year period

and Euratom a full member's seat on the KEDO Executive Board.

333. A common position adopted in parallel ensures that the Union is appropriately represented with regard to non-proliferation aspects.

#### **(iv) Export controls**

334. The Council adopted a joint action on the European Union's contribution to the promotion of transparency in nuclear-related export controls. The joint action is a prelude to other measures that will be taken by the Union, notably in the run-up to the Review Conference of the Treaty on the Non-Proliferation of Nuclear Weapons in the year 2000.

### **C. European Economic Area — Relations with the EFTA States**

335. The European Economic Area, based on the EEA Agreement, is functioning well.

Progress was also made in 1997 in negotiations with Switzerland, but a gap remains, in particular with respect to land transport, the free movement of persons and agriculture, hindering achievement of a balanced overall solution and thereby the conclusion of the package of seven prospective agreements with Switzerland.

### **D. Relations with the associated countries of central and eastern Europe (CCEE)**

#### **(i) Europe agreements**

336. The contractual framework for relations between the Union and the individual CCEE continues to be the Europe association agreements. Negotiations were completed on adapting the Europe agreements to the results of the Union's latest enlargement and the Uruguay Round, raising the Union's relations with the associated countries to a new level.

#### **(ii) Association councils**

337. Of the many decisions taken by the various association councils in 1997, those regarding the pan-European system of cumulation of rules of origin and the participation of associated countries in Community programmes deserve particular attention.

#### **(iii) Structured dialogue**

338. As part of the pre-accession strategy defined in Essen, the structured dialogue at ministerial level between the Union and the associated countries continued apace in 1997, with several ministerial meetings being held in all the major areas and sectors. Cooperation with the countries of central and eastern Europe on CFSP matters continued to evolve.

#### **(iv) Phare**

339. The Commission drew up fresh guidelines for the Phare programme, the principal financial instrument in the pre-accession strategy; these guidelines, which are designed to gear the programme even more closely to the new priorities of enlargement, were submitted to the Luxembourg European Council as part of Agenda 2000.

### **E. Relations with south-east Europe**

#### **(i) Cyprus**

340. Accession negotiations with Cyprus are due to begin on 31 March 1998. The EU considers that the accession of Cyprus should benefit all the communities and help to bring about peace and reconciliation on the island.

341. The Council strongly supports the UN Secretary General's efforts to find a solution to the Cyprus question in conformity with UN Security Council resolutions. The Luxembourg European Council concluded that accession negotiations would contribute positively to the search for a political solution to the problems which have divided Cyprus for so long. In this

context, the European Council requested that the willingness of the Government of Cyprus to include representatives of the Turkish Cypriot Community in the accession negotiating delegations be acted upon, and that the Presidency and the Commission undertake the necessary contacts.

**(ii) Turkey**

342. The Luxembourg European Council confirmed Turkey's eligibility to accede to the Union on the basis of the same criteria as for the other applicant countries. It decided to define a European strategy to prepare Turkey for accession by bringing it closer to the Union in every field. Measures to implement this strategy have already been taken.

343. The European Council recalled that strengthening Turkey's links with the EU also depended on Turkey's pursuit of the political and economic reforms on which it had embarked, including the alignment of human rights standards and practices on those in force in the EU; respect for and protection of minorities; the establishment of satisfactory and stable relations with Greece; and the peaceful settlement of disputes, in particular by legal process, including the International Court of Justice, and support for negotiations under the aegis of the United Nations on a political settlement in Cyprus on the basis of the relevant UN Security Council resolutions. It invited Turkey to participate in the European conference.

344. The customs union with Turkey established as of 1 January 1996 is functioning satisfactorily. In line with the Union's general policy of strengthening its relations with Turkey, steps are under way to go beyond the present stage provided for by the customs union. The communication submitted by the Commission to that end is under active consideration in the Council. Once this work is completed, the Commission is expected to present concrete proposals.

**F. Relations with the western Balkans**

**(i) Conditionality**

345. As part of its regional approach towards all countries in south-east Europe not linked to the Union by association agreements, the Union adopted a conditionality strategy specifying the economic and political conditions that had to be fulfilled before contractual relations could develop and autonomous measures and aid be granted. The concept of conditionality covers Bosnia and Herzegovina, Croatia, the Federal Republic of Yugoslavia, the Former Yugoslav Republic of Macedonia, and Albania.

346. In this connection, the Council decided in April 1997 to extend to the Federal Republic of Yugoslavia the autonomous preferential arrangements granted to the former Yugoslav republics for 1997, only to withdraw the extension in December on the grounds that the Federal Republic of Yugoslavia had failed to comply with the criteria of political conditionality.

**(ii) Aid for reconstruction**

347. The Union continued its efforts in this area, mindful of the priority of the return of refugees, and made a substantial pledge of aid at the third Donors' Conference in Brussels. This Community aid was largely allocated to Bosnia and Herzegovina and gradually channelled into rehabilitation and reconstruction so as to create the conditions for the return of refugees and displaced persons.

348. The Union continued to be the largest single donor of assistance to former Yugoslavia. Member States are also contributing substantially to the Multinational Stabilisation Force (SFOR) and the International Police Task Force (IPTF). The European Community Monitoring Mission (ECMM) continues to play a significant role.

349. The Union continued to be the major donor of assistance to Bosnia and Herzegovina

as an entity, its contribution consisting specifically of the sum of ECU 263 million committed at the Joint Commission and World Bank Donors' Conference in Brussels in addition to the ECU 226 million pledged by the Member States, and of contributions to the United Nations Voluntary Trust Fund for Assistance in Mine Clearance.

**(iii) Bosnia and Herzegovina**

350. Despite substantial efforts by the Union and the international community, concerning, for example, the various elections held, the situation in Bosnia and Herzegovina remains unsatisfactory, largely on account of the lack of political will by the parties and the continuing influence of nationalist hard-liners. The Union continued to support the efforts of the High Representative to ensure implementation of the Dayton/Paris Agreement and the deadlines agreed at Sintra by the Steering Board of the Peace Implementation Council. The European Union's presence in Mostar ended on 30 April 1997.

351. On the crisis in 'Republika Srpska', the Union stressed the need for a rapid solution to the political deadlock and for ensuring respect for the office of the President of the 'Republika Srpska', and called upon the parties to comply fully with the provisions of the Dayton Agreement. The Peace Implementation Council (PIC), meeting in Bonn in December 1997, reaffirmed that the international community's aid remained subject to compliance with the peace agreements and the obligations arising from them.

352. In its continuing support for the OSCE's activities pursuant to the general framework agreement for peace, the Union made a contribution to the local elections in Bosnia and Herzegovina in September 1997 and to the assembly elections in 'Republika Srpska' in November 1997 by providing funding and a contingent of EU supervisors to oversee the electoral process under the aegis of the OSCE.

353. In its conclusions the Dublin European Council said that the return of refugees and displaced persons would be a priority area during the peace consolidation period. It emphasised the need to create and maintain conditions needed to encourage such return in full compliance with the provisions of the peace agreement.

**(iv) Federal Republic of Yugoslavia**

354. The Union made the establishment of relations with the Federal Republic of Yugoslavia dependent on its meeting the goals identified in Council conclusions, including the González recommendations, cooperation with the International Criminal Tribunal for the Former Yugoslavia (ICTY) and progress on Kosovo.

355. The Union promoted the opening of a dialogue between the Belgrade authorities and the Kosovo Albanians as well as the rapid implementation of the education agreement, which it is ready to support.

**(v) Croatia**

356. The Union cooperated closely with the United Nations Transitional Administration for eastern Slavonia (Untaes) in order to ensure respect for human rights and the rights of minorities, including the return of displaced persons and refugees.

**(vi) Albania**

357. From the start of the breakdown of civil order in Albania at the beginning of 1997 the Union, in close coordination with the OSCE, played an active role in helping Albania return to political and economic stability. The Union's efforts were flanked by a Community humanitarian aid programme for the victims of the crisis.

358. Encouraging developments following the elections in the summer of 1997 led the Union to increase its aid to Albania and to develop



bilateral relations on the basis of the regional approach and the common position on Albania adopted by the Council. The Union's international agenda on Albania setting out the reforms that are indispensable for Albania's reconstruction was endorsed by the Ministerial Conference in Rome on 17 October 1997.

359. As in the countries of former Yugoslavia, the European Community Monitoring Mission proved its effectiveness in Albania.

**(vii) Former Yugoslav Republic of Macedonia**

360. The Council approved the granting of macrofinancial assistance to the Former Yugoslav Republic of Macedonia (FYROM). It also concluded a cooperation agreement with the former republic. The Union remains vigilant on the issue of inter-ethnic relations in the FYROM.

**G. Relations with eastern Europe and central Asia**

**(i) Russia**

361. Dialogue conducted on the basis of the partnership and cooperation agreement developed actively at all levels.

362. After the Summit in Moscow between the Presidents of the European Council and the Commission on the one hand and the President of the Russian Federation on the other, the most significant event in relations with Russia was the entry into force of the partnership and cooperation agreement on 1 December 1997. This is a milestone in the development of a close and mutually advantageous partnership with Russia.

363. The Union welcomed the signing of the Founding Act on Mutual Relations, Cooperation and Security between NATO and the Russian Federation; this agreement makes a fundamental

contribution to the establishment of a new European security architecture in which Russia finds its due place.

**(ii) Ukraine**

364. The first Summit with Ukraine, held in Kiev, demonstrated the importance that the Union attaches to Ukraine's independence, territorial integrity and sovereignty. At that meeting, the Union, confirming its determination to continue its support for the efforts being made by Ukraine, stressed the need for the latter to hasten the reform process and meet its obligation to close down the Chernobyl nuclear power station completely by the year 2000. Macrofinancial assistance was granted in 1997 before the entry into force of the partnership and cooperation agreement scheduled for the first quarter of 1998.

365. In a joint declaration published after the EU-US Summit in December 1997, the Union and the United States reaffirmed their support for Ukraine's sovereignty and independence and their wish to help it achieve its goals of economic and democratic reform.

**(iii) Belarus**

366. The Union continues to be very concerned by the political and constitutional situation in Belarus. In 1997, in the framework of consultations within a tripartite group including Belarusian political forces, the Union sought to encourage Belarus to establish a genuine separation of powers. Those efforts were unsuccessful. The Union issued Belarus with a firm reminder that relations between the Union and Belarus would not improve while Belarus failed to move towards respect for human rights and fundamental freedoms and urged President Lukashenka not to lead his country into isolation to the detriment of both Belarus and Europe as a whole. The Union strongly supported the establishment of an OSCE advisory and monitoring group in Minsk.

**(iv) Other republics**

367. The main developments in respect of the other republics were as follows:

- partnership and cooperation agreement with Turkmenistan initialled;
- interim agreements with Kazakhstan, Georgia and Armenia entered into force; interim agreement with Azerbaijan signed;
- exceptional long-term financial aid granted to Armenia and Georgia in the form of macrofinancial loans.

**H. Transatlantic relations**

**(i) United States**

368. The New Transatlantic Agenda continued to provide focus to relations between the Union and the United States, in that it broadened and deepened the political, economic and trade ties and transatlantic people-to-people links. The EU-US Summits held in May and December 1997 provided a new regular meeting point.

369. Achievements in 1997 included:

- the accession of Euratom to KEDO (Korean Peninsula Energy Development Organisation);
- Agreements on customs cooperation and mutual assistance and on scientific and technological cooperation;
- joint efforts in the WTO to conclude the information technology agreement, the basic telecommunications services agreement and the financial services agreement;
- joint declarations, particularly on electronic trade and cooperation in the field of regulations;
- a transatlantic conference on 'Bridging the Atlantic: people-to-people links';
- successful sponsorship of the second

conference of the transatlantic business dialogue.

370. The Union and the United States worked closely together internationally in such areas as the Balkans, the Middle East, Ukraine and central Africa and on global issues like the fight against organised crime, drugs and terrorism.

371. The Union objects to the extra-territorial dimension of certain recent United States legislation enacted or under consideration at the federal and sub-federal levels. The Union is committed to working to resolve these issues and affirms its right to act in defence of its interests against the extra-territorial effects of that legislation.

**(ii) Canada**

372. Following the signature of the EU-Canada Joint Declaration, accompanied by a joint action plan, in December 1996, the EU-Canada Summits in June and December 1997 underlined the success of its implementation and the determination of both sides to develop all aspects of their relations. The achievements of the first year include agreements on humane trapping and on customs cooperation and mutual assistance.

**I. Euro-Mediterranean partnership**

**(i) Barcelona process**

373. The multilateral Barcelona process launched in 1995 is proceeding in spite of the difficulties encountered in the Middle East peace process.

374. At the second ministerial meeting in Malta in April 1997, all participants were indeed able to reaffirm their commitment to the process and its balanced development. Various activities took place or were agreed under the partnership, thus giving real content to the framework created in Barcelona. It is essential that the Barcelona process should continue and

that it should retain its character as a forum where all 27 participants are on an equal footing.

## **(ii) Association agreements**

375. Work on building up the network of association agreements continued, although none, apart from the agreement with the Palestine Liberation Organisation (PLO), is yet in force, owing to the slow process of ratification. However, a comprehensive set of agreements is taking shape, as intended. In the longer term, these need to be complemented by arrangements between the Mediterranean partners, so that a real Euro-Mediterranean free-trade zone can emerge.

376. The interim agreement with the PLO for the benefit of the Palestinian Authority entered into force on 1 July 1997. The agreement with Jordan was signed in November 1997. Negotiations with Lebanon were at an advanced stage at the end of the year. With Egypt, further progress is still needed. Negotiations with Algeria started in March 1997, and the mandate for negotiations with Syria was adopted by the Council.

## **J. Relations with the Middle East and the Gulf States**

### **(i) Middle East peace process**

377. The appointment of an EU Special Envoy has strengthened the Union's effectiveness and visibility in the Middle East and allowed it to assume a role in the peace process more commensurate with its political and economic interests. In this context, the Union launched specific initiatives to help avoid the collapse of talks between the parties, re-establish trust and restart the negotiating process.

378. The Union remains the largest donor to the Palestinians, taking also into account humanitarian aid to the Palestinian people. In

order to boost the effort to improve the latter's economic and social situation, the Union set up a dialogue with Israel on problems facing the Palestinian economy. The European Union pressed for the urgent conclusion of an agreement between the two parties which would allow an airport to be opened in Gaza and construction work to begin on a port, also in Gaza, these two projects being essential to the development of a healthy Palestinian economy. In the framework of a joint action, the Union is providing the Palestinians with substantial counter-terrorism assistance.

379. The Union will do its utmost to ensure the full and rapid implementation of the EC-PLO interim association agreement. The Union is committed to renewing its financial assistance to the Palestinian Authority, taking into account the results of the ongoing evaluation by the Commission of aid provided under the current programme.

380. The Union is working closely with the United States and all regional parties concerned.

### **(ii) Middle East**

381. In line with its general policy of support for the Middle East peace process, the Union responded to an appeal made by the King of Jordan for additional support in the light of the extraordinary difficulties that his country was facing by providing over ECU 11 million, financed partly from the Community budget and partly by Member States. In order to alleviate the problems faced by the Palestinian Authority on account of Israeli measures, the Union decided to contribute from both emergency funds and to establish a revolving fund to meet any future emergencies of this kind.

382. Towards the end of 1997, the Union found it necessary to press with Israel its concerns over the way Israel was implementing its obligations regarding rules of origin under the interim

agreement in force. A number of proposals were put forward when the EC-Israel Cooperation Committee met in November.

**(iii) Gulf**

383. A new agreement with Yemen was signed in November 1997, thereby bringing relations with that country to a new level. It remains the Union's ambition to conclude a free-trade agreement with the Gulf Cooperation Council, and work was pursued to that end in 1997, with a view to a result in 1998.

**(iv) Iran**

384. Following the Mykonos verdict in Germany, the Council concluded that there was no longer any basis for continuing the EU-Iran critical dialogue initiated in 1992 at Edinburgh. Certain other measures were taken, including the suspension of high-level visits and steps against Iranian intelligence personnel, and Member States recalled their heads of mission in Tehran for coordinated consultations. Iranian efforts to discriminate against one of the Union's heads of mission led to their return to Tehran being delayed until November 1997.

**K. Relations with Asia**

**(i) ASEM process**

385. The launch of the ASEM process in 1996 in Bangkok was followed by the first foreign affairs ministers' meeting in Singapore in February 1997. This meeting was mainly concentrated on the preparation of the second Asia-Europe Summit (ASEM II) to be held in London. The main items of the Singapore meeting were the elaboration of an Asia-Europe cooperation framework, to which the joint high-calibre Vision Group to be appointed by ASEM II will contribute, and the preparation of a trade facilitation action plan (TFAP) and an investment promotion action plan (IPAP). ASEM II will address political, economic and people-to-people issues, including the Asian financial situation and

prevention and preparedness for the consequences of natural catastrophes under the European Community's ECHO disaster preparedness programme (Dipecho).

386. An Asia-Europe foundation was established. In 1997 ASEM finance and economics ministers held their first meetings, bringing their contribution to the process.

387. Significant progress on the question of launching a political dialogue within the ASEM framework was achieved at the ministerial meeting in Singapore in February 1997, and at senior officials' meetings in Singapore and Luxembourg.

**(ii) ASEAN**

388. The growing importance of the south-east Asian region and the Union's traditional links with that area have accentuated the need to strengthen relations with the ASEAN countries. Accordingly, the 12th EU-ASEAN foreign ministers' meeting held in Singapore in February 1997 agreed to impart fresh dynamism to the EU-ASEAN partnership. In the context of the ASEAN Regional Forum (ARF), the Union supported efforts to strengthen confidence-building measures and preventive diplomacy in south-east Asia.

389. Since that meeting, the Union has defined the specific action that it wishes to pursue in implementing this dynamism. Regrettably, the meeting of the EC-ASEAN Joint Cooperation Commission, which was to have taken place in Thailand in November, was cancelled, since agreement could not be reached on the terms of the presence of Burma/Myanmar. The Union condemned the authorities in Rangoon for their human rights violations and took certain measures, including the withdrawal of GSP benefits and the application of visa restrictions. Despite the problem of Burma/Myanmar, the strengthening of relations with ASEAN remains a priority for the Union.

**(iii) China**

390. The Union stepped up its overall dialogue with China. In the aftermath of the 53rd session of the UN Commission on Human Rights in Geneva (where the Union was unable to take a joint position on the issue of human rights violations in China), dialogue on human rights resumed at expert level, with meetings in Luxembourg (October 1997) and in Peking (December 1997).

391. On Hong Kong, the Amsterdam European Council emphasised the importance that it attached to full respect for the rights and freedoms and the high degree of autonomy, including for trading purposes, guaranteed to the Hong Kong people under the Sino-British Joint Declaration and the basic law.

**(iv) Japan**

392. The EU-Japan Summit in The Hague decided to reinforce bilateral dialogue by providing for an increase in the number of regular experts' meetings on matters of mutual interest.

**(v) Burma**

393. The Council twice extended by six months its common position which strengthened sanctions against Burma. It also adopted a regulation withdrawing from Burma the benefit of the generalised preferences system in the industrial and agricultural sector because of its forced labour practices.

**(vi) Cambodia**

394. The EU decided to grant an ECU 9.5 million assistance package; this may be suspended if the Union is not satisfied that conditions on the ground would allow the holding of elections meeting generally accepted international standards.

**(vii) Bilateral agreements**

395. In addition, the process of updating the Union's network of bilateral agreements continued

through negotiations with Pakistan and Bangladesh on third-generation cooperation agreements.

**(viii) Korean Peninsula Energy Development Organisation (KEDO)**

396. The EU's admission as a member of the Executive Board of the Korean Peninsula Energy Development Organisation (KEDO) in 1997 and the decision to provide ECU 15 million per year for a period of five years signal the EU's strong support for KEDO's non-proliferation objectives.

**L. Relations with Africa**

397. The Amsterdam European Council highlighted the importance that the Union attaches to the advancement of Africa by calling for a summit meeting to be organised between EU and African Heads of State or Government no later than the year 2000.

398. This desire to help Africa achieve peace, stability and sustainable development lies behind the adoption of the common position concerning conflict prevention and resolution.

399. In addition to regular meetings with the South African Development Community (SADC), the Union also decided to intensify dialogue with the Organisation of African Unity (OAU) at all levels, a step which will enhance the political dimension of cooperation with the African continent.

400. The instatement of a new authority in the Democratic Republic of the Congo is a major change for that country and for Africa as a whole. A ministerial troika made clear that the Union wished to establish a constructive relationship with the new government based on commitment to improvements in the areas of human rights (including progress in the United Nations investigation into alleged massacres), democratisation and the rule of law. The Union agreed to establish an electoral unit to support the democratisation process. The EU envoy, Aldo

Ajello, continued to play a leading role in international efforts to resolve conflict and promote stability in the Great Lakes region.

401. Negotiations between the Union and South Africa continued in 1997 on a trade and cooperation agreement establishing a free-trade area between the parties. An agreement relating to scientific and technological cooperation was concluded between the European Community and South Africa. Talks also continued with a view to agreements on fisheries, wine and designations of origin.

### **M. Relations with Latin America**

402. Notable developments in relations with Latin America in 1997 included the decision to hold an EU-Latin America and Caribbean Summit in 1999 and the signature in December 1997 of a new agreement with Mexico. This agreement follows the important agreements concluded earlier with Mercosur and Chile. All these agreements pave the way for more ambitious steps towards trade liberalisation, which will provide the Union and the partners concerned with a considerable challenge in the years ahead.

In 1997 the Union officially approved the idea of an EU-Latin America and Caribbean Summit (during the seventh EU-Rio Group ministerial meeting) and the groundwork began within the Union, in particular regarding possible topics for the summit's agenda.

403. At the same time, the process of strengthening the political dialogue between the Union and Latin America continued. Ministerial meetings accordingly took place between the EU and the Rio Group and between the EU and the Central American countries at the San José Ministerial Conference. In the margin of the Rio Group meeting, the Union also held meetings with Mercosur, the Andean Community, Mexico and Chile.

404. With regard to Cuba, the Union reviewed and confirmed its common position of Decem-

ber 1996. Measures to implement the common position were approved with the aim of promoting respect for human rights and a peaceful transition towards democracy. The Union continued to lend its support to the identification of possible areas of cooperation with Cuba, subject to Cuban readiness to proceed with substantial reform.

### **N. Relations with the ACP States/OCTs**

405. Future relations between the Union and the ACP States were actively discussed ahead of negotiations on the new cooperation agreements with the ACP States when the Lomé Convention expires in February 2000.

406. The Council recognised the need to revitalise the ACP-EU partnership and to pursue an active development cooperation policy with the ACP States, which is an essential component of the European Union's external action. There was broad-based consensus that the political dimension of cooperation with the ACP States should be enhanced, that the fight against poverty should be put at the heart of the new partnership and that cooperation instruments should be simplified and rationalised to make them more efficient and adaptable to circumstances. It was also recognised that there should be some degree of differentiation based on specific regional characteristics and development levels.

407. The protocol of South Africa's accession to the Lomé Convention was formally adopted and signed at the 22nd meeting of the ACP-EC Council of Ministers. This is a 'qualified' accession, whereby South Africa will accede to the convention as the 71st ACP member on the date when the Lomé Convention, as revised in Mauritius in November 1995, enters into force.

408. The Council adopted a decision, applicable until February 2000, amending at mid-term the 1991 decision on the association of the overseas countries and territories (OCTs) with the Community.

## **O. Development cooperation and humanitarian aid**

409. In 1997 much of the effort in the area of development cooperation was again devoted to creating the legal bases needed to ensure more closely targeted implementation of Community development cooperation policy. In 1997 the Council accordingly adopted a number of regulations and common positions on aspects including the integration of a gender perspective in the development cooperation activities of the Union, aid for uprooted people in the Asian and Latin American developing countries, environmental measures in the context of sustainable development, aid for population policies and programmes, north-south cooperation in the campaign against drugs and drug addiction, HIV/AIDS-related operations in developing countries and the co-financing of NGOs. Actual implementation of these regulations in terms of projects began in the second half of 1997.

410. In addition, particular efforts were made to make Community policies more consistent and to implement cooperation projects which encouraged the development and consolidation of democracy and the rule of law, respect for human rights and fundamental freedoms.

411. Community humanitarian aid combined with that provided by the Member States makes the Union the world's largest humanitarian aid donor. In 1997, the lion's share of that aid was earmarked for displaced persons in the African Great Lakes region and the victims of the conflict affecting the republics of former Yugoslavia.

## **P. Trade policy**

412. In 1997 the European Union focused efforts on a number of essential activities, all of which were aimed at consolidating and strengthening the multilateral trading system.

413. The Union played a major role in the successful outcome of the negotiations on basic

telecommunications services and information technology, two constantly developing hi-tech sectors with considerable impact on economic growth.

414. Similarly, the Union's contribution was essential in ensuring that the 1995 WTO financial services agreement, which was incomplete as to content and geographical coverage, was replaced in December 1997 by a permanent, substantial, balanced agreement based on full respect for the principle of non-discrimination.

415. The Union continued to take an active part in all WTO proceedings on implementation of the Uruguay Round results, taking into account the additional guidance given by the Singapore Ministerial Conference in December 1996. It took a leading role in WTO discussions on the link between trade and the environment and was active in defence of the principle of greater respect for core labour standards recognised as such by the international community.

416. Concerned at the marginal position occupied by the least-developed countries (LDCs) in world trade relations, the Union had a major hand in the success of the high-level meeting for LDCs held in Geneva at the end of October 1997 with the aim of improving their integration into the multilateral trading system. More particularly, the Union extended the main features of the preferential treatment already enjoyed by LDCs which are parties to the Lomé Convention to all other LDCs.

417. The Union gave its wholehearted support to the process for the accession of new members to the WTO and intends to continue playing a leading role in facilitating the membership of the countries concerned in full compliance with WTO rules and on the basis of substantial commitments with regard to market access.

418. Furthermore, the Union confirmed its full support for the WTO dispute settlement system as an effective means of overcoming trade

conflicts and countering the harmful tendencies latent in unilateral measures.

419. The Union began the process of considering its intended strategy ahead of a new round of negotiations on further trade liberalisation on a multilateral basis in the WTO in compliance with the most-favoured-nation clause.

420. In this connection, it continued as before to review the general framework of its trade policy. A report on the development of the trade policy and the preferential agreements of the Community was approved by the European Council in this context.

#### **Q. Relations with the OECD**

421. The European Community and its Member States continued working to achieve progress in the OECD negotiations on a multilateral agreement on investment (MAI).

#### **R. Financial assistance to non-member countries**

422. The Council adopted a further decision providing a guarantee from the Community budget for loans by the European Investment Bank (EIB) for projects in non-member countries. The overall ceiling of credits to be guaranteed for a period of three years is ECU 7 105 million (ECU 3 520 million for central and eastern Europe, ECU 2 310 million for the Mediterranean countries, ECU 900 million for Latin America and Asia and ECU 375 million for South Africa). The EIB was asked to secure private guarantees to cover the commercial risk on at least 25 % of all its lending outside the Community.

423. In addition, macrofinancial assistance was granted to Georgia and Armenia (loan of ECU 170 million and budget subsidy of ECU 95 million), to Bulgaria (loan of ECU 250 million) and to the Former Yugoslav Republic of Macedonia (FYROM) (loan of ECU 40 million).





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## I. INTRODUCTION

1. The year 1998 was a year of landmark decisions for the future. The European Union (EU) committed itself to the most comprehensive enlargement in its history and to launch the euro. A wide range of challenges such as employment, Agenda 2000 and external relations were on the immediate agenda. The EU therefore paid particular attention in its work to the key issues which will shape the Union well into the next millennium. The focal points were (i) preparation for the introduction of the euro, (ii) employment, (iii) enlargement, (iv) Agenda 2000 and (v) justice and home affairs. At the same time, the Union's bodies pushed ahead with their work on (vi) environmental protection and (vii) completion of the internal market. Finally, great strides were made with (viii) implementation of the Amsterdam Treaty, (ix) foreign

affairs and the challenges which the new millennium will bring for Europe.

2. The Union proved itself a pole of stability in 1998, the 50th anniversary of the adoption of the Universal Declaration of Human Rights, which constitutes a cornerstone in the edifice of Europe. An historic agreement was reached in Belfast on 10 April 1998 on peace in Northern Ireland.

3. In 1998, the Presidency was held by the United Kingdom and — for the first time since its accession to the European Union — by Austria. Meetings of the European Council were therefore held on 15 and 16 June 1998 in Cardiff and on 11 and 12 December 1998 in Vienna. Informal and extraordinary meetings of Heads of State or Government were held in Pörtschach and Brussels.

## II. PREPARATIONS FOR THE EURO

4. The year 1998 was marked by preparations for a smooth transition to the third stage of economic and monetary union (EMU), a milestone in the process of European integration.

5. On 3 May 1998, the Council consisting of Heads of State or Government took the historic decision that 11 countries would participate in the euro as from 1 January 1999. The Member States concerned are Belgium, Germany, Spain, France, Ireland, Italy, Luxembourg, the Nether-

lands, Austria, Portugal and Finland. The decision was taken on the basis of reports from the Commission and the European Monetary Institute and after consulting the European Parliament. Furthermore, the Council noted the substantial progress achieved by Greece towards meeting the convergence criteria.

6. On 31 December 1998, after consulting the European Central Bank, the Council fixed irrevocably the conversion rates between the euro

and the national currencies participating in EMU. As from 1 January 1999, therefore, the euro becomes the single currency for the participating Member States. National currency units will continue to function only as subunits of the euro during the transitional stage. Euro banknotes and coins will be put in circulation from 1 January 2002. Transition to the use of the euro in the Member States will be on an 'as you please basis' until 31 December 2001.

7. The Heads of State or Government of the Member States which adopted the euro, on the basis of a Council recommendation and after consulting the European Parliament and the European Monetary Institute, reached mutual agreement on the appointment of the members of the Executive Board of the European Central Bank.

8. The launching of the European Central Bank (ECB) and the European System of Central Banks (ESCB) on 1 June terminated the work of the European Monetary Institute. As from 1 January 1999, the independent ECB and the ESCB are responsible for the common monetary policy within the euro zone. The coordinated reduction in interest rates by the national central banks within the euro zone before the euro actually came into force was the first step in this direction and a token of the international credibility of the future single currency.

9. The introduction of the single currency made it necessary to find a formula for the external representation of the Community as regards issues of particular relevance to EMU. In Vienna, the European Council agreed on the following solutions: the President of the Ecofin Council or the President of the Euro 11 Group (where a Member State that is not participating in the euro zone holds the Presidency), assisted by the Commission in the capacity of providing assistance to the President of Ecofin/Euro 11, will attend meetings of the G7 (Finance). The European Central Bank will be given observer status on the Executive Board of the International Monetary Fund.

10. In order to take account of the special coordination needs of Member States participating in the euro zone, the Euro 11 Group was created to discuss issues connected with their shared specific responsibilities for the single currency. There will also be close economic and monetary interdependence, requiring coordination of economic policy, with those Member States which have not adopted the euro: they all participate in the internal market. Matters of common interest will be discussed by ministers of all Member States.

11. Responsibility for economic policy will, however, continue to lie with the Member States. The full benefit of economic and monetary union for all Europe's citizens can only be achieved by a common strategy on economic policy which promotes employment through greater competitiveness and economic and social cohesion in an area of macroeconomic stability. The Member States therefore gave a commitment to even more efficient coordination of their economic policies.

12. The Council now has a fully-fledged coordination process which entails both monitoring and surveillance mechanisms for the Stability and Growth Pact, national employment action plans and structural policies in the markets for goods, services and capital. On the basis of the subsidiarity principle, this takes account of the respective powers of the Member States and the Commission.

13. Additional efforts are, however, required in most Member States in order to ensure compliance with the Stability and Growth Pact's medium-term objective of budgetary positions close to balance or in surplus, because a sound budget policy fosters low and stable inflationary expectations and will facilitate the task of monetary policy in maintaining price stability.

14. The single currency will lead to greater transparency in the internal market. However, this transparency will also accentuate the effects

of remaining distortions, including those related to tax systems. The Council addressed this issue. On the basis of the conclusions of the Ecofin Council of 1 December 1997 on a tax-policy package, the Commission submitted two proposals in 1998. One concerned a directive to ensure a minimum of effective taxation on savings income in the form of interest payments within the Community. The other proposal concerned a directive on a common system of taxation applicable to interest and royalty payments

made between associated companies of different Member States. This package also includes a code of conduct for business taxation. It provides for a political commitment on the Member States not to introduce any new harmful tax measures within the meaning of the criteria laid down in the code as well as to review and eliminate any existing harmful measures. Finally, a Code of Conduct Group was established in 1998 to assess such tax measures and submit a detailed report at the end of 1999.

### III. THE CENTRAL ROLE OF EMPLOYMENT AND SOCIAL AFFAIRS

15. Employment was the top priority of the European Union in 1998. It will continue to be one of the Union's most important objectives. The vigorous and credible implementation by the Member States of an economic policy aimed at achieving a high degree of sustainable economic convergence in the Community has already yielded tangible results. In 1998, for example, it proved possible to create 1.7 million jobs and bring down the unemployment rate to below 10 % for the first time in six years, i.e. since 1992.

16. The process launched at the special meeting of the European Council in Luxembourg on 20 and 21 November 1997 applying in advance the employment chapter of the Amsterdam Treaty, which had not yet entered into force, gathered political momentum in 1998 and produced its first results. The transparency and political profile of the debate on employment policy have risen in many Member States and at EU level. Examination of the first national action plans by the Commission has enabled Member

States to understand, analyse and learn from each other's policies. It has also helped to foster a greater sense of common concern among national governments in the conduct of their employment policies.

17. The employment guidelines laid down at the special summit of the European Council in Luxembourg were incorporated into their national action plans by all Member States. The guidelines concentrate on the four pillars of employability, entrepreneurship, adaptability and equal opportunities. The national action plans have favoured an active and comprehensive approach to issues such as the balance between flexibility and security, in-house training, reorganisation of working time and flexible contract regulations. Initial steps were also taken not simply to react to immediate problems but to try to prevent them.

18. When revising the national action plans for 1998 and working out the guidelines for 1999, one of the horizontal tasks defined was the



promotion of equal opportunities between men and women. The particular aims laid down included making a reality of the concept of lifelong learning and supporting older workers and disadvantaged groups.

19. In order to support the commitments set out in the national action plans, the Member States were urged, where appropriate, to define policies and set themselves additional quantified targets and deadlines at national level. In order to achieve effective monitoring and evaluation of measures at both national and Community level, joint performance and policy indicators were prepared. These indicators will be used for the first time as a basis for multilateral monitoring in 1999 in order to facilitate a comparison of efforts by the Member States (with particular reference to benchmarking and tried and tested practices).

20. The European Council in Vienna on 11 and 12 December 1998 stressed the good progress made in combating unemployment in Europe. At the same time, it emphasised that employment policy had to be embedded into a comprehensive approach, encompassing macroeconomic policies directed towards growth and stability,

economic reform promoting competitiveness, and the employment guidelines. Further efforts were required to reinforce the multilateral surveillance of the implementation of the employment guidelines. It asked for a report on the drawing-up of a European Employment Pact within the framework of the Luxembourg process to be made to the Cologne European Council on 3 and 4 June 1999.

21. In the social field, the issue of employee involvement in a European company was discussed. Considerable progress was achieved on this vital area. In the light of the incorporation of the Agreement on Social Policy into the Amsterdam Treaty and the United Kingdom Government's statement accepting all directives adopted on the basis of the Agreement on Social Policy, directives were adopted to extend the directive on the burden of proof in cases of sex discrimination and the directive on part-time work to the United Kingdom of Great Britain and Northern Ireland. Following the extension to the United Kingdom in 1997 of the directives on the European works council and on parental leave, all the directives adopted on the basis of the Agreement on Social Policy will also apply in the United Kingdom of Great Britain and Northern Ireland.

#### IV. ENLARGEMENT

22. Preparations continued in 1998 on the basis of the conclusions reached on the Luxembourg European Council for a quantum leap in the process of European integration: the enlargement of the Union offers Europe an historic opportunity of removing the gulf between east and west that has persisted for so many years.

23. In this context, the accession process was launched on 30 March 1998 by a meeting of the ministers for foreign affairs of the 15 Member States of the European Union, the 10 central and east European applicant States and Cyprus. Bilateral accession negotiations were opened with six applicant countries, namely Cyprus,

Hungary, Poland, Estonia, the Czech Republic and Slovenia on 31 March 1998. On 10 November 1998, first specific negotiations at ministerial level concerning the first chapters were initiated. Progress was made with substantive negotiation and a number of concrete results were achieved.

24. On the basis of the accession criteria laid down at the meetings of the European Council in Copenhagen and Madrid, the other candidates for accession can also be included in the negotiations. In this perspective, the European Commission has submitted in the second half of 1998, as requested by the Luxembourg and Cardiff European Councils, the first 'regular progress report'. The Council noted, in the light of the reports, the particular progress made by Latvia and Lithuania as well as the new situation in Slovakia following the September 1998 elections. It also noted the progress made by Bulgaria and the reform efforts being made by Romania. Malta reactivated its application for European Union membership in 1998 opening the way for the Commission updating its favourable opinion of 1993.

25. Priority has been given to stepping up the pre-accession strategy for the countries of eastern and central Europe and the specific pre-accession strategy for Cyprus, which were endowed with the appropriate resources. The accession partnerships with each of the candidate countries of central and eastern Europe were agreed upon in March 1998. As from 2000, two new pre-accession instruments will be available. The bodies set up under the association agreements play an important role in monitoring the adoption and implementation of the Community *acquis*.

26. Invitations were issued for meetings on 12 March 1998 in London and on 6 October 1998 in Luxembourg within the framework of the multilateral forum of the European conference in order to bring together the Member States of the European Union and the European States aspiring to accede to it and sharing its values and internal and external objectives.

27. The Council considered that the European strategy to prepare Turkey for membership of the European Union was a good basis on which to develop relations between the Union and this country.

## V. AGENDA 2000: FIT FOR THE FUTURE

28. Much of 1998 was devoted to Agenda 2000. A political agreement on that agenda during the German Presidency in the first half of 1999 was of fundamental importance for the future development of the Union in the following years. The three objectives of the agenda were: to reform existing areas of Union policy such as the common agricultural policy, structural policy and cohesion policy; to create new instruments in order to cope with immediate challenges such as enlargement of the EU; and to equip the Union with an appropriate financial framework.

29. In some areas of Agenda 2000, the Council had already achieved basic agreement. It was generally acknowledged that, through greater concentration of assistance, structural policy should be made more efficient, better programmed and coordinated. There would therefore in future be fewer mainstream objectives and Community initiatives to be financed at Community level by the Structural Funds.

30. In addition, the future financial framework would be set for a seven-year period (2000–06).

The financial perspective would continue to comprise the current six headings with the addition of a new Heading 7 and an 'enlargement reserve'. Heading 7 would aim to achieve greater transparency about expenditure by setting out all expenditure relating to the three pre-accession instruments (instrument for agriculture, instrument for structural policies (ISPA) and Phare, which is mainly directed at environmental protection); the 'enlargement reserve' would cover all expenditure arising as a result of enlargement. Ring-fencing of expenditure would in future ensure that expenditure reserved for EU-15 cannot be used for expenditure arising from enlargement and vice versa.

31. There was also agreement that the new financial perspective should ensure strict budgetary discipline at EU level. It must, however,

ensure that the Union has sufficient resources at its disposal so that the orderly development of its various policies can guarantee solidarity and the ability to cope effectively with the process of enlargement.

32. Guidelines for the reform of the common agricultural policy were constituted by the principles established by the European Councils in Luxembourg and Cardiff. These specify that the model of European agriculture as an economic sector must be versatile, environmentally friendly, sustainable, competitive and market-oriented, and must spread throughout Europe. It must also be capable of strengthening rural areas, as well as conserving nature and the countryside. In addition it must be able to respond to consumer concerns and demands regarding food quality and safety and the safeguarding of animal welfare.

## VI. AREA OF FREEDOM, SECURITY AND JUSTICE

33. The Member States made progress in the field of justice and home affairs in 1998 with a view to making Europe an 'area of freedom, security and justice'.

34. In the case of drugs policy, the key objectives of the future EU drugs strategy (2000-04) were established: the EU will be attacking on two fronts here with measures to reduce demand and action to combat organised crime, with particular reference to drug trafficking and money-laundering.

35. As all Member States have ratified the Europol Convention, which entered into force on

1 October 1998, the European Union now has a further instrument of police cooperation for combating organised crime. In addition, the European judicial network has started to operate and constitutes a further component of a Europe characterised by security and the rule of law.

36. The Council also began to draw up a global strategy for asylum and migration. To that end a High-Level Working Group on Asylum and Migration was established. Another sign of progress is that the applicant countries have become fully involved in work on justice and home affairs, with particular reference to combating organised crime.

## VII. ENVIRONMENTAL PROTECTION AND SUSTAINABLE DEVELOPMENT

37. An important topic for Europe's citizens is environmental policy. The European Union and its Member States strove towards the achievement of international obligations resulting from the Framework Convention on Climate and the Kyoto Protocol on global climate change. They are working intensively on implementing the Buenos Aires action plan and are continuing with European and national measures to cut emissions of greenhouse gases. By reaching agreement on the Auto-Oil package, the European Parliament and the Council adopted important measures to reduce air pollution by emissions from motor vehicles.

38. When examining the fifth environmental action programme, the European Parliament and the Council adopted the decision on sustainable development. The Treaty of Amsterdam introduced environmental protection and sustainable development as an objective of the Union to have an impact across all Community policies. To that end, the Commission undertook, when submitting new proposals for laws, also to evaluate and take account of the effects of the

intended measures on the environment. The Energy, Agriculture, and Transport Councils have accordingly already produced reports on how not only economic and social but also environmental aspects can be taken into account in the various areas of policy in the context of sustainable development.

39. In the context of the common agricultural policy and its reform, account was taken of consumer wishes and the demands of environmental protection. The linkage between direct payments and environmental standards together with the development of direct encouragement for particularly environmentally friendly economic approaches should provide a contribution to this.

40. Firm action by the EU at international level and in the World Trade Organisation (WTO) in particular will be decisive in ensuring that the measures adopted by the European Union for greater integration of environmental protection into agriculture do not constitute a handicap to European farmers vis-à-vis other trading partners.

## VIII. THE INTERNAL MARKET AS THE DRIVING FORCE FOR EMPLOYMENT

41. Completion of the internal market was also one of the European Union's main tasks in 1998. Only by encouraging competitiveness and the fleshing-out of legal provisions can the internal market function in a way which ensures that Europe's citizens reap the full benefits of the single market and the introduction of the euro.

42. Consequently, the action plan for the single market, one of the key concerns of the United Kingdom and Austrian Presidencies, was given considerable impetus with the aim of facilitating free movement of goods within the EU, increasing the competitiveness of European undertakings, in particular small and medium-sized

enterprises, and thereby creating employment. Particular attention was also paid to the SLIM (simpler legislation for the internal market) programme, which is intended to simplify and improve internal market legislation at both Community and national level. In the course of the year, considerable progress was made in transposing European directives into national law. The internal market scoreboard proved a particularly useful instrument here for monitoring the progress made.

43. The financial services sector is of key importance as the driving force for growth and job creation and is facing particular challenges with the introduction of the single currency. Initial steps have been taken to create a single financial market.

44. Consumer protection is an important concern for Europe's citizens and of key importance for the functioning of the internal market. In 1998 the Council decided on a new framework programme for Community measures to protect consumers. In order to keep consumers more fully informed, a regulation was adopted that goods which contain genetically modified substances are to be more clearly labelled.

45. The Council decided on implementing provisions for monitoring and control of State aid, in order to prevent distortions of the internal market. In addition, the Council decided on new rules for the granting of State aid to shipbuilding.

46. In the field of energy, the directive on an internal market for natural gas, representing an annual turnover of approximately EUR 100 billion, was adopted in 1998. Together with the directive on the internal electricity market, adopted in 1996, this means that competition is now gradually introduced into these strategic markets. The agreement on patents for biotechnological inventions was also very important. In the field of telecommunications, liberalisation continued. In 1998 a programme to promote the information society was also decided on. In the transport field, the Council concentrated in its work on charging for heavy goods vehicles (Eurovignette), maritime safety (passenger ferry inspections) and aviation safety.

47. An important decision aimed at ensuring the competitiveness of Europe's economy and maintaining continuity in research policy was taken with the adoption of the fifth European Community framework programme of research, technological development and demonstration and the adoption of the fifth framework programme of the European Atomic Energy Community. The decision to reform or adopt EU education and youth programmes (Socrates and Leonardo da Vinci) also represents an investment in the future.

48. Ensuring a high level of health protection in all Community policies is particularly important in the context of the internal market for the acceptance of European integration by Europe's citizens. The Council expressly welcomed the Commission's proposals 'on the development of public-health policy in the European Community'.

## IX. IMPLEMENTATION OF THE TREATY OF AMSTERDAM

49. The Treaty of Amsterdam contains a large number of new provisions modifying both the way in which Union bodies function and its areas of policy. Preparations proceeded apace in 1998 for a smooth transition as well as to ensure the full application of the new Treaty on the day of its entry into force. There was detailed consideration of how to improve the way Union bodies function, with particular reference to future enlargement. A first draft was produced of the Statute for Members of the European Parliament. It was agreed that the number of Council formations should be reduced. At the same time, the General Affairs Council took steps to improve the organisation of its work and establish more efficient procedures in order to devote more time to its horizontal functions.

50. The European Council in Vienna made clear the need to embark on further institutional reforms at the Cologne Summit in June 1999.

51. Regarding the common foreign and security policy (CFSP), there was progress in a number of areas. Preliminary work continued on establishing a Policy Planning and Early Warning Unit within the General Secretariat of the Council and on appointing the new Secretary-General and High Representative for the CFSP.

52. The Union has done important preliminary work aimed at ensuring a smooth transition to

the new rules in the field of justice and home affairs. A newly created horizontal Working Party on Drugs is intended to ensure a consistent approach. The action plan to establish an area of freedom, security and justice, which provides for the implementation of priority measures within the next two years, also forms part of moves to improve cooperation between judicial and police authorities.

53. Preliminary work on incorporating the Schengen *acquis* into the framework of the European Union is in progress. It covers the allocation of a legal basis to the Schengen *acquis* and integration of the Schengen Information System and the Schengen Secretariat into the framework of the EU. Progress was achieved in the negotiations with Iceland and Norway on association with the implementation and further development of the Schengen *acquis*.

54. The EU's relations with the Western European Union (WEU) were further developed, as the Treaty of Amsterdam provides for enhanced cooperation. At the same time, a wide-ranging debate on a common European policy on security and defence was launched with the aim of backing the CFSP with credible operational capabilities and reinforcing European solidarity. The Franco-British declaration made in St Malo on 4 December 1998 was an important contribution to this process.

## X. EUROPE AS A GLOBAL PLAYER

55. The most important foreign policy issues were the Kosovo crisis and the Middle East peace process. Particular attention was also paid

to relations with Russia, Ukraine and the newly independent States.

56. In Kosovo, the EU endeavoured to initiate a dialogue between the two parties to the conflict with the aim of finding a political solution that guarantees far-reaching autonomy and self-government for the Kosovo Albanians. To that end, an EU Special Envoy was appointed. The adoption of a comprehensive Kosovo action plan for refugees and displaced persons, which was endowed with EUR 50 million by the Member States and the Union, was intended to help alleviate the humanitarian crisis. Pressure on the Federal Republic of Yugoslavia to give way in this crisis was stepped up by imposing sanctions on that country. The EU has regularly kept under review its policy towards the countries of the region.

57. At the same time, steps were taken to stabilise the situation in former Yugoslavia as well as Albania deploying a broad range of EU instruments in line with the regional approach in order to bring those States closer to the EU. The Union provided the OSCE mission with a large number of election observers for the elections in Bosnia and Herzegovina in September 1998. The Royaumont process was also continued with the aim of encouraging stability and good neighbourliness in south-east Europe. Two conferences were held and a number of projects launched. The cooperation agreement, which the Community had concluded with the Former Yugoslav Republic of Macedonia, entered into force on 1 January 1998.

58. The revival of the Middle East peace process in the form of the Wye River memorandum received significant support from the Union in 1998. The EU Special Envoy for the region kept continual track of developments and exercised a positive influence. The fact that the Wye River agreement was followed by a visit by the Head of the Palestine National Authority, Yasser Arafat, to the informal meeting of EU Heads of State or Government in Pörttschach highlights the EU's importance in this region.

59. In relations with the US, the transatlantic summit in London on 18 May 1998 achieved a

breakthrough in respect of US extra-territorial sanctions, in particular the Helms–Burton Act. In order to implement the transatlantic economic partnership, an action plan was drawn up. At the same time, the importance of furthering the development of bilateral trade relations with the US within the framework of the multilateral trading system was reiterated.

60. The EU's contributions to the work of the World Trade Organisation (WTO) were focused on implementation of the outcome of the Uruguay Round negotiations as well as preparation for a new round of negotiations. The Community was involved in a number of controversial trade matters, e.g. meat treated with hormones, which were discussed in 1998 by the WTO dispute settlement body.

61. After many years of negotiations with Switzerland, political agreement was reached on 7 December 1998 on the most important aspects of the sectoral agreements.

62. The EU–Russia Summit, which was held in Vienna on 27 October 1998, focused on the EU–Russia partnership, refocusing Tacis, a commitment to work together on trade and economic reform, and strengthening efforts to tackle spent nuclear fuel and nuclear waste in north-west Russia. Additionally, a common strategy of the EU on Russia was prepared for adoption in 1999. In December, the Council adopted an EU food-aid programme for the winter of 1998-99.

63. The difficult economic situation formed the background to the EU–Ukraine Summit in October 1998 and relations with the newly independent States. The partnership and cooperation agreements which have already partly entered into force constituted an important instrument for enhancing these relations.

64. Initial discussions in the context of the common foreign and security policy on common strategies for Russia, Ukraine, the western Balkans and the Mediterranean region, as provided

for in the Treaty of Amsterdam, have begun in 1998. These common strategies should add weight and coherence in all aspects of the EU's external relations.

65. The Barcelona process, which concerns the Union's relations with Mediterranean third countries, was enhanced with the meeting of foreign ministers in Palermo on 3 and 4 June, in preparation for the third Euro-Mediterranean Conference, to be held in Stuttgart in April 1999. The association agreement with Tunisia entered into force on 1 March 1998.

66. In September 1998, the EU and the African, Caribbean, and Pacific States (ACP) started negotiating their future relations after expiry of the Lomé IV Convention in February 2000. Central concerns for a post-Lomé Convention are *inter alia* combating poverty, strengthening political dialogue, broad involvement of civil society, promotion of sustainable development, and inclusion of the ACP countries in the world economy, as well as extension of regional cooperation between ACP States.

67. In 1998 the Union's relations with South Africa and the Southern African Development Community (SADC) gained new impetus. Presi-

dent Nelson Mandela's visit to the European Summit in Cardiff and the EU-SADC Conference in December 1998 in Vienna were important stages in this process. The appointment of an EU Special Envoy to the Great Lakes region also demonstrates the EU's active desire to establish peace and stability by seeking a political solution to the armed conflict in the Democratic Republic of the Congo.

68. Relations with the Asian States were developed further in 1998. The first EU-China Summit to be held concentrated on finding practical solutions for integrating that country into the international community and the world economy. The ASEM Summit on 3 and 4 April 1998 constituted an important contribution to support for economic reforms to deal with the serious recession in these countries.

69. Relations with the States of Latin America, and in particular Mercosur, were further developed on the basis of partnerships. Ministerial meetings with the Rio Group and the countries of Central America (San José XIV) took place. Negotiations with Mexico started for a free-trade area. Additionally, the preparations for negotiations on association agreements began with Mercosur and Chile.

## XI. FUTURE CHALLENGES

70. Despite the progress made in 1998, there is still much to be done in order to make Europe fit for the challenges of the new millennium. Some of the issues dealt with by recent Presidencies must be examined in greater detail. The European Council therefore agreed on the following 'Vienna strategy for Europe'.

71. In order to promote employment, economic growth and stability, it is vitally important that national action plans and the coordination of economic policies be implemented systematically. The European Council in Vienna therefore instructed the Council to report to the Cologne European Council on the development of a



European Employment Pact, investment in European infrastructure and in human capital and improvement of the international financial architecture. Tax policy and coordination issues will be on the agenda for the Helsinki European Council.

72. In order to improve security and the quality of life, there will be a review at the special meeting of the European Council in Tampere of implementation of the action plan on establishing an area of freedom, security and justice. There will also be consideration of the improvement of citizens' access to justice. The Working Party on Drugs will be submitting a report on future procedures. The Working Group on Asylum and Migration will also be preparing a comprehensive report. With the entry into force of the Europol Convention and the start of Europol's activities, it is necessary to work on a strategy for greater police cooperation in combating organised crime.

73. The topic of human rights will be raised at the European Councils in Helsinki and Cologne. In order to meet the requirements of environmental protection and sustainable development, the European Council in Helsinki will be receiving comprehensive strategies for the transport, energy and agriculture sectors including a timetable for further measures and a set of indicators. Other Council formations (development,

internal market, and industry) are invited to act similarly.

74. The reform of policies and institutions will concentrate initially on achieving political agreement on the Agenda 2000 package. A timetable will then be drawn up in Cologne for the institutional matters still unresolved at the Governmental Conference in Amsterdam.

75. The promotion of stability and well-being in Europe requires the accession negotiations to continue at a dynamic rate and the submission of situation reports on the applicant countries in Helsinki. There will also be an examination of the new instruments of the common foreign and security policy (CFSP) following the entry into force of the Treaty of Amsterdam (High Representative, CFSP Policy Planning and Early Warning Unit, improved decision-taking mechanisms). Work for common strategies for Russia, Ukraine, the Mediterranean and the western Balkans will be continued. The European security and defence policy must also be further elaborated. Trade relations with the US must improve in order not to jeopardise the advantages of transatlantic trade.

76. On the basis of these points, the European Council will, at its meeting in Helsinki, adopt a 'millennium declaration' on the Union's priorities for the years to come.

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1999



The European Union entered into 1999 against the backdrop of an ambitious and wide-ranging set of tasks laid down by the Vienna European Council in its 'Vienna strategy for Europe'. The fact that those remits had to a large extent been fulfilled by the end of the year bears witness to the ability of the Union and its institutions, working in close cooperation, to rise to the challenges confronting it both internally and externally and moreover demonstrates once again that simultaneous deepening and widening of the Union are not mutually exclusive. In 1999, the Union approved the set of measures making up the Agenda 2000 package, agreed the remit and timing of the next Intergovernmental Conference and took various steps to reform the functioning of its institutions. Substantial advances were made towards enhancing the common foreign and security policy, in particular as regards the forging of a common security and defence policy, and towards creating an 'area of freedom, security and justice'. Particular attention continued to be paid to the question of employment and growth, and, finally, historic decisions were taken which should in due course lead to the membership of the Union almost doubling.

Overall agreement on the various elements of the **Agenda 2000** package was reached at the Berlin European Council at the end of March 1999, the Union thereby equipping itself with more effective policies and the financial means to implement them. By approving a number of policy reforms, in particular in the areas of structural policy and agriculture, the Union ensured that those policies would continue to play their role of promoting economic and social cohesion and a multi-functional, sustainable, competitive and Europe-wide agricultural sector. This would take place within a medium-term financial framework (2000–06) characterised by the same sort of

budgetary rigour and limits on expenditure as applied at the national level and which, moreover, would make provision for expenditure relating to the accession of new Member States which, it was clear, would occur during the period covered. The policy reforms themselves consisted, in agriculture, of proceeding further along the path of reducing market support prices and compensating for this by increasing direct aid payments, the objective being a stabilisation of agricultural expenditure in real terms. The structural policy reforms were aimed at achieving greater concentration of structural assistance, improving the financial management of the Structural Funds and simplifying their operation and administration. The overall allocation foreseen for combined Structural and Cohesion Fund spending was intended to enable the Union to maintain the current average aid intensity levels. On the revenue side, the application of these policy reforms and a rigorous approach to spending in the other areas covered by the financial framework will allow the Union's own resources ceiling to remain unchanged, over the next period, at its current level of 1.27 % of EU GDP. This unchanged ceiling is, however, to be accompanied by a number of changes designed to improve the equity of the own-resources system by, on the one hand, bringing contributions further into line with national GNP and, on the other, taking account of the special situation in which a number of Member States found themselves. Thanks to exemplary cooperation between the European Parliament and the Council it proved possible to transpose the expenditure aspects of the Berlin Agreement into regulatory texts and a new interinstitutional agreement on budgetary discipline before the summer break.

With the medium-term financial framework — including provision for future accession — in place, the Union was able to turn its attention to

taking the first steps on the road towards ensuring that the Union's institutions would, through a resolution of the institutional issues left open at the Amsterdam European Council, be in a position to continue to work efficiently after enlargement. It was consequently agreed at the Cologne European Council in June 1999 that the brief of the **Intergovernmental Conference** to be convened early in 2000 would comprise the size and composition of the Commission, the weighting of votes in the Council, and the possible extension of qualified majority voting in the Council as well as other necessary amendments to the Treaties arising as regards the European institutions in connection with these three issues and in implementing the Amsterdam Treaty, which entered into force on 1 May 1999. Meeting in Helsinki in December 1999, the European Council clarified this remit by noting that the incoming Portuguese Presidency might propose additional items to be taken on the agenda of the conference and furthermore indicated that the conference would be officially convened in early February 2000. It also gave a firm political commitment that every effort would be made to complete the conference by December 2000 so that, after ratification of the results, the Union should be in a position to welcome new Member States from the end of 2002 as soon as they have demonstrated their ability to assume the obligations of membership and once the negotiating process has been successfully completed.

In parallel to the decision on the next Intergovernmental Conference on institutional modification to the Treaties, the Union also launched a process intended to **reform and make more effective the functioning of the institutions without modifying the Treaties**. As regards the Council, a realisation that substantial changes in the Council's working methods, phased in as from now, were essential, if the scale of the coming enlargements coupled with the wider scope of the Union's action were not to slow the Council down and ultimately even paralyse it, led the Helsinki European Council to adopt a series of operational recommendations designed to ensure that the Council could smoothly accommodate a larger membership.

The reform process started within the Commission had rather different origins and, consequently, different objectives, the aim being to improve financial and personnel management and foster higher standards of efficiency, transparency and accountability. A number of operational decisions were already taken by the new Commission in September 1999. At its Helsinki meeting, the European Council, noting the Commission's intention to present a comprehensive programme of administrative reform in early 2000, called for the rapid implementation of those reforms. The setting-up of a new, independent European Anti-Fraud Office with wide powers, operational as from 1 June 1999, should also be seen as part of the Union's determination to improve its functioning and its image among the citizens. As far as conferring implementing powers on the Commission pursuant to Article 202 of the Treaty was concerned, the Council adopted a new decision on 'comitology' in June 1999.

The entry into force of the Amsterdam Treaty provided new scope for further enhancement of the Union's **common foreign and security policy**, which continued to be tested in a variety of situations and areas across the globe. In 1999, against the background of the experiences of Bosnia and Kosovo, considerable effort was devoted to carrying forward work on the development of the Union's military and non-military crisis management capability with the objective of a strengthened and credible **common European policy on security and defence**. At its meeting in Helsinki, the European Council underlined its determination to develop an autonomous capacity to take decisions and, where NATO as a whole was not engaged, to launch and conduct EU-led operations in response to international crises. In furtherance of this objective, it agreed on a 'common European headline goal' for a readily deployable military capability, on the new political and military bodies and structures to be established within the Council to ensure political guidance and strategic direction (including on the interim bodies to be set up as of March 2000), and on the principles for consulting and cooperating with non-European allies and NATO. Measures to enhance the Union's

non-military capabilities in the area of crisis management were also agreed, as was a timetable for carrying forward work on all of these issues. Europe's foreign policy gained further visibility through the appointment of Javier Solana as the first **High Representative** for the common foreign and security policy (and Secretary-General of the Council). In his first three months in office the High Representative made a substantial contribution to various aspects of CFSP activity. Making use of another policy instrument created by the Amsterdam Treaty, the European Council adopted **common strategies** on two countries — Russia and Ukraine — whose strategic importance is set to increase as direct neighbours of a future Union enlarged to the east. Work was also set in hand on further common strategies on the Mediterranean region and the western Balkans.

Accession negotiations with Cyprus, the Czech Republic, Estonia, Hungary, Poland and Slovenia gathered further momentum in 1999, with around three quarters of the so-called 'negotiating chapters' having been opened by the end of the year, and roughly a third provisionally closed. At its Helsinki meeting, the European Council reaffirmed the inclusive nature of the **accession process** which, with the decision to open association negotiations with Romania, Slovakia, Latvia, Lithuania, Bulgaria and Malta in February 2000 and with the recognition of Turkey as a candidate State destined to join the Union on the basis of the same criteria as applied to the other candidate States, now comprised 13 candidate States within a single framework. In so doing, the European Council stressed the principle of peaceful settlement of disputes in accordance with the United Nations Charter and urged candidate States to make every effort to resolve any outstanding border disputes and other related issues. Failing this they should within a reasonable time bring the dispute to the International Court of Justice. The European Council declared that it would review the situation relating to any outstanding disputes, in particular concerning the repercussions on the accession process and in order to promote their settlement through the International Court of Justice, at the latest by the end

of 2004. The European Council furthermore recalled that compliance with the political criteria laid down at the Copenhagen European Council was a prerequisite for opening negotiations and that compliance with all the Copenhagen criteria was the basis for accession to the Union. As far as Cyprus was concerned, the European Council underlined that a political settlement would facilitate the accession of that country. If no settlement had been reached by the completion of accession negotiations, the Council's decision on accession would be made without this being a precondition. In this the Council would take account of all relevant factors. A European Union with almost 30 members and a population of over 500 million (twice that of the United States and four times that of Japan) is now in prospect. This will not only profoundly alter the political and economic landscape of the continent but also have major implications for the Union's relations with the rest of the world.

The Union did not, in 1999, leave to one side **issues of direct concern to the citizens** in their everyday lives. **Justice and home affairs** were moving to the top of the political agenda, as citizens perceived that the benefits of freedom, including freedom of movement, were diminished by phenomena such as illegal immigration and serious crime, unless they were enjoyed within a genuine area of justice accessible to all. The entry into force of the Amsterdam Treaty also offered new possibilities for action in this area. It was against this background that the European Council held a special meeting in Tampere in October 1999 dedicated exclusively to establishing a comprehensive set of policy orientations and priorities (the '10 milestones of Tampere') intended to develop the Union as an **area of freedom, justice and security**. The policy orientations agreed consisted, firstly, in a call for the development of a common European Union asylum and migration policy, encompassing the notion of partnership with countries of origin, a common European asylum system, fair treatment of legally resident third-country nationals and more efficient management of migration flows at all their stages. Secondly, they called for measures to bring about better access to justice, enhanced mutual recognition of

judicial decisions and greater convergence in civil law; and, thirdly, they urged measures to step up police, judicial and administration cooperation in the fight against serious organised and transnational crime. An important further element of the agreement was that progress towards implementation and meeting the various deadlines should be monitored and kept under constant review, with the Commission being invited to make a proposal for an appropriate scoreboard for that purpose. Separately, the European Council established a body — in which the European Parliament and national parliaments are called on to play an important role in cooperation with personal representatives of the Heads of State or Government and of the President of the Commission — charged with drawing up a draft **Charter of Fundamental Rights** of the European Union by December 2000. This body held its inaugural meeting in December.

**Higher employment and job creation**, seen as the key to greater economic welfare, social justice and cohesion, continued to be among Europe's top objectives. To this end, further steps were taken to create the conditions designed to improve the competitiveness of the European economy by developing further the single market, exploiting fully the potential of information and communication technologies, boosting investment in innovation, human re-

sources and infrastructure and enhancing economic policy coordination. The objective of higher employment and job creation was in particular given concrete expression through the adoption by the European Council in Cologne of a **European Employment Pact** aimed at a sustainable reduction of unemployment. The pact brings together the coordinated employment strategy of the Luxembourg process and the comprehensive economic reforms of the Cardiff process and calls for their further development and better implementation. At the same time, it establishes a new macroeconomic dialogue at Community level between all relevant policy actors, aimed at encouraging an effective, balanced and consistent policy mix geared to non-inflationary, job-creating growth (to be known as the Cologne process). The year 1999 also saw the first formal use of the new Treaty provisions on employment, with the adoption by the Council of recommendations to the individual Member States on the implementation of their employment policies representing an important step forward in the process of developing a coordinated strategy in this area.

Much work remains to be done in the areas set out above, as well as in other spheres of activity. The European Council is confident that the Union, building on the solid progress achieved in 1999, will prove equal to the challenge.

#### **Annexes**

- Berlin European Council conclusions: doc. SN 100/1/99 rev. 1
- Cologne European Council conclusions: doc. SN 150/1/99 rev. 1
- Tampere European Council conclusions: doc. SN 200/1/99 rev. 1
- Helsinki European Council conclusions: doc. SN 300/1/99 rev. 1

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