

COLOGNE EUROPEAN COUNCIL

3 - 4 June 1999

CONCLUSIONS OF THE PRESIDENCY

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INTRODUCTION

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



II. STAFFING DECISIONS

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



III. GROWTH, EMPLOYMENT, COMPETITIVENESS AND SUSTAINABLE DEVELOPMENT

5. With the introduction of the euro on 1 January 1999 the European Union reached its highest level of economic integration so far. At the same time the largest economic and monetary area in the world, apart from the USA, came into

being. The introduction of the euro enables Europe to play a role commensurate with its economic weight in the global economy. A stable euro will strengthen Europe's ability to boost growth and employment.

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

European Employment Pact

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

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

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

9. As part of the concrete implementation of the Luxembourg and Cardiff processes the European Council calls upon the Commission to:

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

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

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

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

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

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

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

- release an extra Euro 500 million from the current risk-capital budget, so as to double the resources for the European Technology Facility. Speedy implementation will make additional incentives possible;
- make available an extra billion euros for risk-capital funding benefiting high-technology investments of small and medium-sized enterprises in the period 2002 to 2003, also in cooperation with the European Investment Fund; this would represent a valuable contribution towards improving the own-capital base of high-growth SMEs and creating employment;
- continue, and widen, credit allocation for urban renewal, education and health and also environmental protection, including renewable energy promotion;
- support and supplement Community structural and regional assistance, especially in areas that will no longer qualify for assistance in future. The reform of structural assistance will provide extra room for manoeuvre to further the regions' development potential through loan funding;
- back up the Community's pre-accession strategy by widening credit allocation to include applicant countries; dynamic economic trends in those countries also have a beneficial effect on employment in the European Union.

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

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

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

- The 5th Community framework Research Programme, with its budget of Euro 15 billion, is intended to speed up the process of innovation and exploit the Community's potential for employment and growth to the full. The more competitive Europe becomes in the high technology sector, the more high-quality employment opportunities will be created.
- The development of a European navigation satellite system (Galileo) should be given careful scrutiny, in view of its strategic importance. The Council is invited to expedite its discussion of the Commission communication on the system with the aim of securing finance largely from private sources.
- Europe has to take a leading role in the information society:
 - All schools must be given access to the Internet as soon as possible.
 - To develop Europe's leading position in electronic commerce, there must be improved policy coordination to create a favourable environment, and a Directive which has the support of the industry must be adopted speedily.

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

Broad guidelines for economic policies

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

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

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

Tax policy

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

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

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

23. The European Council welcomes the Council's second progress report on reinforced tax policy cooperation and

invites a third report by the time of the Helsinki European Council.

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

Single market for financial services

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

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

Improvement in the functioning of the international financial system

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

Indebtedness of the poorest countries

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

Climate policy, environment and sustainable development

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

30. The European Council stresses the importance attaching to the development of joint and coordinated policies and measures at Community level to supplement the efforts of the Member States. All relevant sectors are urged to make their contributions within the framework of an overall climate protection strategy. Climate policy is the most important

example of the Council's commitment, founded on the Treaty of Amsterdam, to incorporate the requirements of the environment and sustainable development into other Community policies.

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

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

European Anti-Fraud Office

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

34. The Office must be equipped with the necessary staffing and financial resources to provide effective protection of the Community's financial interests on behalf of European taxpayers. Only in this way can the misappropriation of subsidies and irregularities in the Member States and within the institutions and bodies of the European Union be effectively combated and the trust of citizens in the national and European agencies concerned be re-established.

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

Millennium bug

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

Road safety

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

Outermost regions

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



IV. FURTHER DEVELOPMENT OF THE EUROPEAN UNION

39. In the past few months considerable progress has been made towards taking the European Union into the twenty-first century. With agreement on Agenda 2000, necessary reforms entailed by enlargement have been decided upon and the financial framework of the Union has been secured for the next seven years.

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

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

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

Area of freedom, security and justice

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

EU Charter of Fundamental Rights

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

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

Human rights

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

Operation of the institutions

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

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

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

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

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

Intergovernmental Conference on institutional questions

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

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

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

Other necessary amendments to the Treaties arising as regards the European institutions in connection with the above

issues and in implementing the Treaty of Amsterdam, could also be discussed.

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

Common European security and defence policy

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

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

Enlargement process

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

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

59. It emphasises once again the conclusions reached by the European Council in Luxembourg that decisions on the opening of further negotiations can only be taken on the basis of the criteria established by the Copenhagen European Council. At the same time it highlights the importance also attaching to the prospect of accession for applicant countries with which negotiations are not yet under way. For this reason it invites the Commission, in its next progress reports, to consider measures which can help crystallise that prospect for all applicant countries. The European Council welcomes the constant progress in the candidate countries and encourages them to continue their reforms and adjustment efforts.

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

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



V. EXTERNAL RELATIONS

Kosovo

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

Western Balkans

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

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

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

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

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

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

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

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

Stability Pact for South-Eastern Europe

71. The European Council warmly welcomes the progress made towards defining the Stability Pact for South-Eastern Europe, and looks forward to early agreement at the planned Ministerial meeting to be held in Cologne on 10 June. The

Stability Pact will help to enhance peace, stability and prosperity in, and cooperation between, countries in the region. The participation of the Federal Republic of Yugoslavia in this process will be examined in due course, once it has met the conditions of the international community on Kosovo. The settlement of the Kosovo crisis represents a prerequisite. Furthermore, the European Council recalls the necessity for progress in democratic freedoms and respect for the rights of minorities.

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

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

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

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

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

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

Common strategy on Russia

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

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

Other common strategies

80. The European Council recalls that at its Vienna meeting it called on the Council also to prepare common strategies on Ukraine, on the Mediterranean region, specifically taking into account the Barcelona process and the Middle East peace process, and on the western Balkans. The six months since the Vienna meeting have, in various ways, again clearly brought out the importance of all these regions to the European Union not only as partners in its external relations but

also for the stability and security of our continent and its immediate neighbourhood. The European Union both has a special responsibility and is in a special position to work in close partnership with all of its neighbours to achieve these objectives, complementing the common strategy adopted for Russia. The European Council welcomes the preparatory work carried out so far and calls on the Council to press ahead with work on the other three common strategies decided on in Vienna in order to complete each of them as soon as possible. When determining further areas to form the subject of common strategies, thematic issues such as human rights and democracy should also be considered.

Ukraine

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

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

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

Transatlantic Relations

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

European Union-Japan relations

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

Middle East

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

establishing a comprehensive, just and lasting peace in the region.

87. The European Council also welcomes the intention expressed by the newly elected Israeli Prime Minister to resume

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

Euro-Mediterranean Partnership

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

European Union-Latin America Summit

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

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

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

Northern Dimension

92. The European Council considers the guidelines adopted by the Council for a "Northern Dimension" in European Union policy as a suitable basis for raising the European Union's profile in the region. It welcomes the incoming Presidency's intention of holding a Ministerial Conference on the Northern Dimension on 11 and 12 November 1999. The Northern Dimension is conceived as a way of working with the countries of the region to increase prosperity, strengthen security and resolutely combat dangers such as environmental pollution, nuclear risks and cross-border organised crime. To achieve these aims, the European Council believes that after the Conference in November the possibility of drawing up an action plan should be considered. Now that the guidelines have been agreed, it is time to bring about closer involvement of the acceding countries concerned, the Russian Federation, Norway and Iceland in the process as it unfolds.

Transcaucasian Summit

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

East Timor

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

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

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

Macao

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

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

World Trade Organisation (WTO)

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

100. The European Council strongly advocates the launch of a new comprehensive round of negotiations in the WTO framework at the 3rd WTO Ministerial Conference in Seattle at the

end of 1999; that round will begin in the year 2000 and if possible should be concluded within three years. Negotiations covering a broad spectrum of topics, including labour standards, environment, development and transparency, are the most appropriate approach for achieving substantial and balanced results for the benefit of all WTO members.

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

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

[Continued](#)

COLOGNE EUROPEAN COUNCIL 3 - 4 June 1999

CONCLUSIONS OF THE PRESIDENCY

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ANNEX I - RESOLUTION OF THE EUROPEAN COUNCIL ON THE EUROPEAN EMPLOYMENT PACT

Closer cooperation to boost employment and economic reforms in Europe

At its meeting in Cologne on 3 and 4 June 1999 the European Council

recalling the conclusions of the Vienna European Council, in particular concerning the drawing up of a European Employment Pact,

recalling the Luxembourg European Council Resolution on Economic Policy Coordination in Stage three of EMU,

recalling the Amsterdam European Council Resolutions on the Stability and Growth Pact and on Growth and Employment,

recalling the conclusions of the special meeting of the Luxembourg European Council on employment,

recalling the conclusions of the Cardiff European Council regarding economic reforms and sound public finances as the basis for growth, prosperity and employment

and in approving the Presidency's report "European Employment Pact: Closer cooperation to boost employment and economic reforms in Europe" of 31 May 1999, including the supplement "Youth and Europe - our Future",

has adopted the following Resolution :

I. More employment is the highest priority

1. The European Council considers high employment the key to greater economic welfare, social justice and cohesion. The fight against unemployment which is far too high is, therefore, the most important objective of our

economic and social policy. Achieving higher employment in the Single Market depends on improving the underlying macro-economic conditions, on the employability and qualifications of the work-force, on well functioning labour markets and on efficient, competitive markets for goods, services and capital at the level of the Member States and of the Community. The introduction of the euro has brought a significant improvement in the conditions for more growth and employment. In order to make full use of this potential and to achieve more dynamic growth and higher employment while maintaining price stability, the strategy to boost investment and innovation must be reinforced. To this end, the European Council is committed to step up efforts in the Member States and to cooperate more closely in the European Union. These are the objectives served by the European Employment Pact, which the European Council views as the foundation and the framework of a sustained process for more growth and employment and which is in accordance with the Broad Economic Policy Guidelines, the main economic policy coordination instrument in the Community. With this policy approach the Union is at the same time making a positive contribution to solving the problems of the world economy.

2. To the coordinated employment strategy and economic reforms, the Macroeconomic Dialogue is added as the third pillar of the European Employment Pact. This new element is intended to improve the conditions for a cooperative macro-economic policy mix geared to growth and employment while maintaining price stability. With these three pillars of the European Employment Pact, which support and mutually reinforce one another, the Union is anchoring its policy for more employment in a comprehensive strategy for strengthening a dynamic development of our economies.
3. In the Broad Economic Policy Guidelines, the Member States and the Community agree annually on the main elements of their economic policy; in the Employment Guidelines the Member States and the Community agree annually on the main elements of the coordinated employment strategy; in the Cardiff reports on economic reform the Member States and the Community refer to the economic reforms which have been launched and indicate the direction of future efforts at reform. These well established procedures provide the right context in which to give the European Employment Pact additional content adapted to continually changing requirements.

II. Coordinated employment strategy and economic reforms well underway

4. The European Council reaffirms its commitment to the coordinated employment strategy (the Luxembourg process) and to economic reform (the Cardiff process). Improving employability, in particular for those at a disadvantage in the labour market, and helping unemployed people to acquire the knowledge and skills they need, developing entrepreneurship, encouraging the adaptability of businesses and their employees and improving equal opportunities for women and men are the key elements in this strategy. The European Council considers structural reforms of labour, product and capital markets to be essential in order to ensure that European businesses can compete successfully in world markets and that growth potential of the European economies can be fully exploited. In this connection, the European Council also wishes to stress the importance of a continuing dialogue between Council, Commission and the social partners on the coordinated employment strategy in the Standing Committee on Employment.

III. Macroeconomic Dialogue for the promotion of growth and employment

5. In order to bring about strong growth in employment while maintaining price stability, fiscal policy, monetary policy and wage development must interact in a mutually supportive way. The European Council calls upon all those who decide on or influence economic and employment policy to contribute to more employment on the basis of strong, non-inflationary growth, respecting, at the same time, their independence and autonomy in their own areas of responsibility. In a macroeconomic dialogue based on mutual trust, information and opinions should be exchanged in an appropriate manner concerning the question of how to design macroeconomic policy in order to increase and make full use of the potential for growth and employment.

6. The European Council deems it necessary, in addition to the Luxembourg and the Cardiff processes, to set up a regular Macroeconomic Dialogue (the Cologne process) within the framework of the ECOFIN Council in cooperation with the Labour and Social Affairs Council and with the participation of representatives of both formations of the Council, the Commission, the European Central Bank and the social partners. This Dialogue should take place and should be prepared at technical level as described in the Presidency's report on the European Employment Pact.

7. The European Council welcomes the declaration of the European social partners on the European Employment Pact. The European Council also welcomes the willingness of the social partners and of the monetary authorities to take part in the Macroeconomic Dialogue.

REPORT TO THE EUROPEAN COUNCIL ON THE EUROPEAN EMPLOYMENT PACT

Closer cooperation to boost employment and economic reforms in Europe

I. Introduction

Higher employment is Europe's top priority. Without a high level of employment there is ultimately no social justice or cohesion. In order to improve the employment situation in the Community on a lasting basis, we need to create the conditions for strong, continuing and non-inflationary growth. The removal of impediments to growth means at the same time removing impediments to employment. The introduction of the euro creates the potential for more welfare and growth. This potential must be used.

With the Luxembourg process, the European Union has made common cause of the fight against unemployment. Our renewed efforts are bearing first fruit. The employment situation in the European Community has improved considerably as a result of faster growth in 1998, and unemployment has declined. Taking the average for the year, however, the unemployment rate was still 10% of the civilian labour force. We must, therefore, not allow our joint efforts to flag; on the contrary, we must intensify them by a comprehensive approach supportive of strong internal growth. The goal of the European Employment Pact is to pave the way for a reduction in unemployment and for sustained job-creating growth by achieving growth rates which substantially exceed increases of labour productivity and labour supply.

As the Vienna European Council noted, a policy for more employment has to be embedded in a comprehensive approach encompassing macroeconomic policies directed towards growth and stability, the further development and implementation of the Employment Guidelines and of decisive structural reforms promoting efficiency and competitiveness. The Cologne European Council should agree on a strategy that meets these objectives and win over all economic policymakers in favour of participation in a European Employment Pact.

II. The approach

The European Employment Pact should help to achieve a high level of employment across Europe while preserving price stability. This involves reviewing not only concepts but also individual policy measures in order to ascertain whether they are supportive of job creation or maintaining the competitiveness of existing jobs. Moreover, there must be efficient interaction between national and European employment policies. The task of creating the conditions for more employment and growth, which is primarily a matter for Member States, must be based on a European strategy of structural reforms and a balanced macroeconomic policy mix. This is the way to make the best use of the framework for stronger economic growth set in place by European Economic and Monetary Union. This must be taken into account when Community policies and measures are adopted and implemented. In particular the support given through structural funds and the cohesion fund, which have been reformed in the framework of Agenda 2000, will have to support employment creation. The Commission communication under Article 127 of the EC Treaty, as amended by the Treaty of Amsterdam, contains important elements in this respect. The Commission's report "Europe as an economic entity" could also contribute, as an important working document, to the European Employment Pact.

The European Employment Pact must take account of three objectives in order to promote strong non-inflationary and job-creating growth:

- mutually supportive interaction to the greatest possible extent between wage developments, fiscal policy and monetary policy;
- the further development and even better implementation of the coordinated employment strategy within the framework of the Luxembourg process;
- strengthening of the structural reforms in order to improve competitiveness and the functioning of the markets for

goods, services, and capital in accordance with the Cardiff process.

Each of these three policy areas has significance for a coherent, sustainable and successful employment strategy on which we must work together with the social partners. The fields of activity are complementary and self-reinforcing; however, not one of them can replace either of the other two:

Firstly, it is important to make the best possible use of existing production and employment potential. At the same time, it is necessary to achieve a high level of investment so as to permit durably higher rates of growth and more jobs via the expansion of productive capacities. This requires making full use of the employment potential offered by an increase of female participation in the labour force, by a better inclusion of low-skilled workers, and by a macro- and microeconomic environment in which additional investment in real and human capital pays off.

Secondly, we must work together to implement appropriate labour market and training policies so that demand for labour is matched as closely as possible by supply.

Thirdly, strong innovation, research, training and further training, modern infrastructure, structural reforms and a favourable economic environment for innovative enterprises all help to bring about a high level of employment with high added value.

Thus it is necessary to set in place on a permanent basis conditions for a macroeconomic policy mix tailored to growth and employment while maintaining price stability and, at the same time, to promote innovation and productivity by carrying out structural reforms on the markets for goods, services and labour.

In particular, with the introduction of a single currency and a single monetary policy, new interactions between the national level and the EU level have materialised. The purpose of the European Employment Pact is to ensure that these levels work together in a consistent manner so as to boost employment while maintaining stability and to link together a cooperative macroeconomic policy mix, including a macroeconomic dialogue (Cologne process), the coordinated employment strategy and economic reforms (Luxembourg and Cardiff processes). At the same time, the single currency has increased the weight and the responsibility of Europe in the world economy. Europe must continue its efforts to achieve an open trading and financial system and must remain competitive at international level.

The necessary instruments and procedures must be used extensively for implementing the European Employment Pact. In this way, it can be ensured that the efforts at national and European level are closely dovetailed and are consistent with the treatment of corresponding issues in a broader international context. Valuable experience has already been gained from the Luxembourg process and the Cardiff process. These processes have to be continued and reinforced so that structural impediments to growth and employment are overcome in the whole Community.

However, it is equally important that the conditions for a smooth interaction of macroeconomic instruments should be improved by stepping up the exchange of information and opinions between the economic policy actors concerned. In this connection, more intensive cooperation in the interests of more growth and employment in Europe must be undertaken

without jeopardising either the independence of the European Central Bank or that of national central banks,

without questioning the autonomy of the social partners in collective bargaining,

while taking account of different systems of wage determination, the responsibility for which lies on different levels,

while complying with the Stability and Growth Pact,

and while observing the principle of subsidiarity.

III. The individual policy areas

1. Cooperative macroeconomic policy mix - the Cologne process

In order to achieve strong employment growth while maintaining price stability, it is vital that the macroeconomic instruments should interact in a smooth fashion. Such a policy mix provides an important basis for job-creating investment. The macroeconomic policy areas are independent as regards the decisions taken in each of them but they do influence one another.

In the interests of an effective and balanced policy mix, it is important that the different areas be organised in the following way:

Fiscal policy is required to respect the objectives of the Stability and Growth Pact which implies bringing budgets securely to close to balance or to a surplus over the medium term. Beyond that, public budgets should also be restructured towards higher investment and with a view to meeting forthcoming challenges such as population ageing. At the same time, it must not lose sight of macroeconomic developments.

Wages must keep to a sustainable path, with wage developments that are consistent with price stability and job creation.

The primary objective of monetary policy is to maintain price stability. For this, it is crucial that monetary policy be underpinned by fiscal policies and wage developments of the type described above. Without prejudice to the objective of price stability, monetary policy will support the general economic policies in the Community with a view to contributing to sustainable and non-inflationary growth and a high level of employment.

The Broad Economic Policy Guidelines are the central instrument for economic policy coordination in the EU. The Guidelines can provide a suitable framework for describing how the interaction between the macroeconomic decision-makers in Europe can be improved in a manner conducive to growth and employment. In the euro-area, the dialogue taking place in the Euro-11-Group also contributes to achieving a balanced policy mix. In a broader international setting, matters to do with a consistent employment strategy and its global economic correlations can be discussed inter alia in the Group of Seven (G 7) and at Economic Summits.

For a consistent policy mix to be implemented successfully, it is helpful to have a fruitful macroeconomic dialogue between social partners, fiscal and employment policymakers and monetary policymakers within existing institutions. In the course of this dialogue, the starting position and future prospects could be discussed on the basis of statistical data and analyses, and ideas could be exchanged as to how, while retaining their respective responsibilities and preserving their independence, those involved consider that a policy mix can be achieved that is conducive to growth and employment under conditions of price stability. It is the central concern of the European Employment Pact to establish such a macroeconomic dialogue on firm foundations and to make it effective. In this sense, the European Employment Pact should be understood as a sustained ongoing process.

As regards implementation of the macroeconomic dialogue, see point IV.

2. Coordinated employment strategy of the Luxembourg process

The coordination of the employment policies of the Member States within the framework of the Employment Guidelines and the National Action Plans, including supporting and supplementing measures in the area of vocational training, makes an important contribution to higher employment. Improving employability, developing entrepreneurship, encouraging the adaptability of businesses and their employees, and improving equal opportunities for women and men form the four pillars of this strategy.

Preventive strategies, as opposed to purely passive measures, help to improve the functioning of labour markets and the employability of the labour force. As part of the European Employment Pact, therefore, lifelong learning should be expanded through continuing skills and competence development in working life, investment in manpower skills should be promoted, including through use of the European Social Fund, and a contribution should be made to preventing and reducing youth unemployment. The fast pace at which the information society is developing and the continued growth of the service sector call for special efforts to improve the skills of the labour force. Low-skilled groups require particular attention as regards education.

In implementing the Employment Guidelines and in presenting the National Action Plans and evaluating them in the Joint Employment Report, even more prominence will be given to identifying and exchanging best practice. Where appropriate, supplementary verifiable quantitative objectives on a national level could be set in the National Action Plans. In order for an evaluation to be meaningful, appropriate indicators must also be defined. Any potential for creating new jobs through progress in work organisation and shorter working time should be examined within the framework of the coordinated employment strategy.

Particular significance in connection with a coherent employment strategy attaches to the review of tax and social benefits system with a view to lowering the burden on labour. On the one hand, it is important here to examine how the burden imposed in particular on low-skilled and low-paid workers could be limited. On the other, in view of the progressive ageing of the population, retirement provision should be placed on a basis characterised by responsibility towards future generations.

At around 20%, youth unemployment is more than twice as high as unemployment generally. Further efforts to reduce youth unemployment are indispensable. The German Presidency has, therefore, presented the memorandum "Youth and Europe - Our Future" with a view to improving the occupational prospects of young people in Europe. This memorandum is intended to help identify best practice, improve the supply of cross-border training programmes, practical vocational training and pre-vocational training, and step up cross-border work and training placement measures. Young people should be able to prepare themselves better for the increasingly integrated labour market in Europe. It must also be investigated how to promote the development of new services and new jobs, especially for young people.

Furthermore, under the European Employment Pact, emphasis is to be placed on measures which help avoid long-term unemployment and introduce more flexible arrangements for the participation of older employees in work. This includes improving the information and work placement activities of all employment services.

The goal of active and preventive promotion of employment includes the disabled. The Council has noted in a Resolution the Commission's intention to make, in the framework of a coherent global policy, a proposal for a legal instrument covering equal employment opportunities for people with disabilities.

In order to improve employment trends in Europe, it is important to ensure that competitiveness, flexibility of employment and social protection of employees are in a balanced relationship with one another. To this end, it is desirable to develop further a core of minimum social standards, in accordance with the provisions of the EC Treaty relating to the improvement of living and working conditions.

With their agreements on parental leave, part-time work and, finally, fixed-term employment contracts, the social partners have made contributions which the Council has already put into practice or intends to put into practice by means of directives. The social partners should continue along this road, taking, in doing so, full account of the impact of new regulations on job creation and employment.

The social partners at European and national level play an important role in the continued development and implementation of the Employment Guidelines. The reformed Standing Committee on Employment provides a suitable forum for cooperation between the Council, the Commission and the social partners. As well as the Labour and Social Affairs Council, the Employment and Labour Market Committee should also work closely with the social partners.

3. Economic reforms - the Cardiff process

A lasting increase in employment requires a sustained growth process. In order to exploit growth potential fully, an improved macroeconomic dialogue and the coordinated employment strategy initiated as part of the Luxembourg process must be supplemented by economic reforms of the kind launched by the Cardiff process. These reforms are aimed at improving competitiveness and the functioning of the markets in goods, services and capital. They are laid down in the national structural reform reports and are the subject of the Commission's Cardiff I and Cardiff II reports which are based on Member States' contributions and intensive work within the Economic Policy Committee as well as in the Internal Market Horizontal Working Group. At issue are the further development and deepening of the European single market and how to make structural reforms as conducive as possible to employment and growth.

In its conclusions of 25 February 1999, the Internal Market Council pointed out the concrete need for action in order further to improve the competitive climate in Europe, to dismantle the remaining impediments to trade between Member States, to increase the performance of the service sector including tourism and to make the economic environment for small and medium-sized enterprises more conducive to growth and employment. Of special importance here are efficient goods and services markets, efficient capital markets and an adequate supply of risk capital, an effective competition policy and the further reduction of state aids which result in undesirable competitive distortions.

Intensive use must be made of the structural reform reports in the Cardiff process in order to identify best practice and to adopt it wherever this is possible and seems likely to be successful. Efforts to prune superfluous regulations must be systematically pursued at national and European level so as to minimise the burden on employment-intensive small firms and to facilitate business start-ups.

In Europe, the emergence of the information society should be actively pushed forward. This entails, for example, greater use of computers in schools and a more rapid dissemination of information technologies among small firms. While respecting subsidiarity, a European initiative for the information society should ensure that the potential for employment which exists in this area is exploited as widely as possible. The development of electronic commerce must not be hindered by unnecessary bureaucratic rules. National efforts to exploit the potential offered by information and communications technology should be increased, in particular by improving training opportunities ranging from basic knowledge to lifelong learning.

The European infrastructure is to be further improved by Trans-European Networks - in particular, the priority projects in the transport field as well as the development of projects in telecommunications and information technology to improve innovation and competition - and the assistance provided by the European Investment Bank. Furthermore, the innovative potential for improving the ability to react to industrial transformation processes through increased research efforts must be strengthened.

IV. Implementing the Macroeconomic Dialogue - the Cologne process

The European Employment Pact combines the macroeconomic policy mix, the coordinated employment strategy of the Luxembourg process and the economic reforms of the Cardiff process into a economic policy triad.

Both the Luxembourg process and the Cardiff process along with the preparation of the Broad Economic Policy Guidelines take place in established institutions and on the basis of established procedures. Within this framework, new priorities can be set for the European Employment Pact.

By contrast, to improve the interaction between wage developments, fiscal policy and monetary policy in the interests of growth and employment a Macroeconomic Dialogue is required to step up our efforts within the established institutional framework. Two tasks come to the fore:

Firstly, we must analyse macroeconomic developments and prospects in depth so that the Dialogue, backed by comprehensive information, can be as effective as possible.

Secondly, we must find a suitable forum in which, with the participation of the Commission and while maintaining their respective responsibilities and preserving their independence, the social partners, Council representatives and monetary policymakers can exchange ideas on how they think a policy mix can be achieved which promotes growth and employment while safeguarding price stability.

A two-stage approach is being adopted for the Macroeconomic Dialogue bearing in mind that the number of participants should be such as to ensure efficient functioning of the different fora:

Current developments and the preconditions for a smoothly operating policy mix will first be discussed at technical level. To this end, a working party will be set up in the framework of the Economic Policy Committee in collaboration with the Employment and Labour Market Committee, with the participation of representatives of both committees (including the European Central Bank), of the Commission and of the Macroeconomic Group of the Social Dialogue. In order to provide for adequate preparation of the meetings at political level, the first meeting should take place before the

Commission adopts its recommendation on the Broad Economic Policy Guidelines and the second meeting after presentation by the Commission of its autumn forecast and its Annual Economic Report.

On this basis a confidence-building and confidential exchange of ideas between decision-makers will take place at political level. To this end, meetings will take place twice a year in the framework of the ECOFIN Council in collaboration with the Labour and Social Affairs Council, with the participation of representatives of both formations of the Council, of the Commission, of the European Central Bank and of the social partners. The first meeting should take place before the drawing up by the ECOFIN Council of the draft Broad Economic Policy Guidelines and the second before the adoption by the European Council of its conclusions in respect of the Employment Guidelines, for example at the meeting of the Jumbo Council.



ANNEX II - COMMON STRATEGY OF THE EUROPEAN UNION ON RUSSIA of 4 June 1999

THE EUROPEAN COUNCIL,

Having regard to the Treaty on European Union, in particular Article 13 thereof;

Whereas the Agreement on Partnership and Cooperation (PCA) between the European Communities, their Member States and the Russian Federation entered into force on 1 December 1997,

HAS ADOPTED THIS COMMON STRATEGY:

PART I

VISION OF THE EU FOR ITS PARTNERSHIP WITH RUSSIA

A stable, democratic and prosperous Russia, firmly anchored in a united Europe free of new dividing lines, is essential to lasting peace on the continent. The issues which the whole continent faces can be resolved only through ever closer cooperation between Russia and the European Union. The European Union welcomes Russia's return to its rightful place in the European family in a spirit of friendship, cooperation, fair accommodation of interests and on the foundations of shared values enshrined in the common heritage of European civilisation.

The European Union has clear strategic goals:

- a stable, open and pluralistic democracy in Russia, governed by the rule of law and underpinning a prosperous market economy benefiting alike all the people of Russia and of the European Union;
- maintaining European stability, promoting global security and responding to the common challenges of the continent through intensified cooperation with Russia.

The Union remains firmly committed to working with Russia, at federal, regional and local levels, to support a successful political and economic transformation in Russia. The Union and its Member States offer to share with Russia their various experiences in building modern political, economic, social and administrative structures, fully recognising that the main responsibility for Russia's future lies with Russia itself.

The European Council therefore adopts this Common Strategy to strengthen the strategic partnership between the Union and Russia at the dawn of a new century. The European Council recognises that the future of Russia is an essential element in the future of the continent and constitutes a strategic interest for the European Union. The offer of a

reinforced relationship, based on shared democratic values, will help Russia to assert its European identity and bring new opportunities to all the peoples of the continent. The enlargement of the Union will further increase these benefits and opportunities.

This Common Strategy sets out the objectives as well as the means to be used by the Union in taking forward this partnership. The core of the relationship between the Union and Russia remains the Partnership and Cooperation Agreement (PCA), with its aim of promoting the integration of Russia into a wider area of cooperation in Europe, as well as through creating the necessary conditions for the future establishment of a free trade area between the European Community and Russia. For their part the European Union and its Member States will develop the coordination, coherence and complementarity of all aspects of their policy towards Russia. The Union, the Community and its Member States will also work together with and within regional and other organisations and with like-minded partners to meet the objectives set out in this Common Strategy. The positions taken by the Member States in all relevant fora will conform to this Common Strategy. The European Council invites Russia to work with the Union on the basis of this Common Strategy to the benefit of both.

PRINCIPAL OBJECTIVES

The European Council has identified the following principal objectives:

1. Consolidation of democracy, the rule of law and public institutions in Russia

The establishment of efficient, transparent public institutions is one of the prerequisites for confidence and wider adherence to democratic guidelines and the operation of the rule of law. It constitutes the necessary foundation for economic and social development. The situation in Russia calls for the use of appropriate mechanisms and means to strengthen such institutions in terms of efficiency and responsibility.

The Union wishes to support Russia in the consolidation of its public institutions, particularly its executive, legislative and judicial bodies and its police, in accordance with democratic principles. Institutions which are essential for the operation of the economy form the second part of this objective. The European Union will attach particular importance to regional and local administrations, within their powers. Relations between central, regional and local authorities are an essential factor in the future of the Federation.

The emergence of civil society in all areas is indispensable for the consolidation of democracy in Russia. The European Union wishes to support that process, particularly by developing direct exchanges between civil society actors in Russia and the Union.

2. Integration of Russia into a common European economic and social area

The Union and Russia both have an interest in enabling Russia to integrate into a common economic and social area in Europe. The Union is already Russia's main trading partner and Russia itself provides a significant part of the Union's energy supplies. European undertakings have also made major investments in Russia.

In the first instance, an operational market economy needs to be put in place. The recent crisis in Russia has demonstrated the need to pursue that objective with vigour. The major effort must obviously come from Russia, in the context of a comprehensive and sustainable economic programme approved by the IMF. This programme must address, inter alia, the problems of enterprise restructuring, public finance, the banking system and "corporate governance". The Union is ready to provide support in that framework.

The Union considers that the rule of law is a prerequisite for the development of a market economy which offers opportunities and benefits to all the citizens of Russia. Russia's development and future prosperity depend first and foremost on sound domestic policies and economic management, for which the establishment of a fair and transparent legislative and regulatory framework, as well as of the necessary institutions, is essential. Attracting domestic and foreign investment, which would be greatly enhanced by Russia's access to international financial markets, plays a key role in its development. The Union will therefore support Russia in developing and adopting the economic policies needed to

strengthen the confidence necessary to increase domestic and foreign investment and to meet the requirements of international lenders.

The Union is committed to the integration of Russia into the European and world economy. In this context, the Union will support Russia's efforts in meeting the requirements of WTO membership. It will also examine how to create the necessary conditions, in addition to WTO accession, for the future establishment of an EU-Russia Free Trade Area. The progressive approximation of legislation and standards between Russia and the European Union, in accordance with the PCA, will facilitate the creation of a common economic area.

Finally, the establishment of a market economy must take account of the social aspects of transition and the needs of the Russian people, particularly those who are most deprived. The Union is ready to provide expertise and to step up exchanges in this area.

3. Cooperation to strengthen stability and security in Europe and beyond

Russia and the Union have strategic interests and exercise particular responsibilities in the maintenance of stability and security in Europe, and in other parts of the world.

The Union considers Russia an essential partner in achieving that objective and is determined to cooperate with her. It proposes that the strategic partnership develop within the framework of a permanent policy and security dialogue designed to bring interests closer together and to respond jointly to some of the challenges to security on the European continent. That dialogue will allow greater concertation in all the relevant fora to which both Russia and the Member States belong, particularly the UN and the OSCE.

4. Common challenges on the European continent

Geographical proximity, as well as the deepening of relations and the development of exchanges between the Union and Russia, are leading to growing interdependence in a large number of areas. Only through common responses will it be possible to find solutions to challenges which are more and more often common to both parties.

The Union and Russia have a common interest in developing their energy policies in such a way as to improve the exploitation and management of resources and security of supplies in Russia and in Europe.

Nuclear safety is an essential issue. The Union is prepared to continue providing expertise and support in that area.

The environment is the common property of the people of Russia and the European Union. The sustainable use of natural resources, management of nuclear waste and the fight against air and water pollution, particularly across frontiers, are priorities in this area.

Russia and the Union have a common interest in stepping up their cooperation in the fight against common scourges, such as organised crime, money-laundering, illegal trafficking in human beings and drug trafficking. The fight against illegal immigration is also a major preoccupation. The Union proposes to put increased cooperation in place in these areas by creating the necessary tools and forms of cooperation between the competent bodies and by developing exchanges of experts. It is also ready to offer its expertise, particularly in the development of legislation and competent institutions.

Regional cooperation, particularly in the framework of existing regional organisations, is a useful framework for putting practical cooperation in place which will allow a local response to these challenges.

INSTRUMENTS AND MEANS

1. General provisions

This Common Strategy shall be implemented in accordance with the applicable procedures of the Treaties. The European Council calls on the Council and the Commission in accordance with the responsibilities defined in Articles 3 and 13 of the Treaty on European Union to ensure the unity, consistency and effectiveness of the Union's actions in implementing

this Common Strategy.

The European Union will work to achieve the objectives of this Common Strategy by making appropriate use of all relevant instruments and means available to the Union, the Community and to the Member States.

The Secretary-General of the Council, High Representative for the CFSP, shall assist the Council in implementing this Common Strategy in the framework of his or her obligations under the Treaties. The Commission shall be fully associated in accordance with Articles 18 and 27 of the Treaty on European Union.

2. The Council, the Commission and Member States

The European Council calls on the Council, the Commission and Member States:

- to review, according to their competencies and capacities, existing actions, programmes, instruments, and policies to ensure their consistency with this Strategy; and, where there are inconsistencies, to make the necessary adjustments at the earliest review date.
- to make full and appropriate use of existing instruments and means, in particular the PCA, as well as all relevant EU and Member States instruments and Member States programmes, and to develop and maintain to this end an indicative inventory of the resources of the Union, the Community and Member States through which this Common Strategy will be implemented.

3. Coordination

Member States shall make additional efforts to coordinate their actions vis-...-vis Russia, including in regional and international organisations such as the Council of Europe, the UN, the OSCE and the IFIs, and including coordination with the Community where it has competencies.

Coordination between the Member States and the Commission must also be consolidated, including through regular consultations between their respective representatives in Russia.

The Council, the Commission and Member States shall work towards more effective cooperation with regional and international organisations, and will seek with other like-minded countries to achieve the objectives of the Strategy.

The European Union will invite the candidate countries to associate themselves with actions within the framework of this Common Strategy.

4. Implementation and review

The European Council invites the Council:

- to ensure that each incoming Presidency presents to the Council, in the framework of its general programme, a work plan for implementation of this Common Strategy, based on the areas of action in Part II and taking due account of the specific initiatives in Part III;
- to review and evaluate the Union's action under this Strategy and to report to the European Council on progress towards its objectives not less than annually;
- to review the situation in Russia and the state of Russia's cooperation in the implementation of this Strategy, including through periodic reports by the Heads of Mission, and make an assessment in its report to the European Council;
- where necessary, to submit recommendations for amendments to Part II and III of this Strategy to the European Council.

The Commission will contribute to the above within its competence.

5. Cooperation with Russia

The European Union and its Member States will work closely together with Russia to implement this Common Strategy, in particular through the PCA and its institutions.

6. Specific initiatives

The Union shall pursue the specific initiatives set out in Part III of this Common Strategy which are based on the areas of action identified in Part II. These initiatives shall be adapted when necessary and do not preclude possible new initiatives during the duration of this Common Strategy. The Council, the Commission and the Member States shall, according to their competencies and capacities, support and work towards the achievement of these specific initiatives.

PART II

AREAS OF ACTION

The European Union shall focus on the following areas of action in implementing this Common Strategy:

1. Consolidation of democracy, the rule of law and public institutions in Russia

To enhance democracy, institution-building and the rule of law in Russia, which is a prerequisite for the development of a market economy, the Union will undertake efforts to:

(a) Strengthen the rule of law and public institutions

- by providing support for and by encouraging the necessary institutional reforms towards a modern and effective administration within Russia's Executive, Legislature, and Judiciary at federal, regional and local levels; in particular by developing the capacity of an independent judiciary, public administration and accountable law enforcement structures through the promotion of contacts between judicial authorities and law enforcement bodies of the EU Member States and Russia;
- by developing training programmes for young politicians and civil servants;
- by exploring, in response to a Russian request, the scope for EU action, in cooperation with international organisations such as the OSCE, in support of the efficient conduct of free and fair Presidential and Duma elections in 1999 and 2000;
- by supporting Russian efforts to meet its international human rights commitments including those to the Council of Europe, the UN and the OSCE, and by promoting joint EU-Council of Europe activities regarding Russia in the fields of the rule of law and human rights; by giving assistance in safeguarding human rights, including those of women, children and minorities, and by enhancing programmes to promote the abolition of the death penalty.

(b) Strengthen Civic Society

- by enhancing contacts between politicians of Russia and the EU, at federal, regional and local levels including with assemblies at all levels;
- by promoting greater cultural and educational exchanges between Russia and the EU, and deeper contacts between societies, building on the long tradition of Russia's involvement in the formation of European civilisation, in particular by reviewing and enhancing, as necessary, scholarships and student contact programmes;
- by supporting independent NGOs;
- by cooperating with Russia to strengthen support for refugees and internally displaced people within Russia;
- by contributing to the freedom of the media;
- by promoting equal opportunities for men and women.

2. Integration of Russia into a common European economic and social area

The EU will:

(a) Consolidate the process of economic reform in Russia

- by enhancing the impact of economic policy advice, including through high-level policy dialogue so as to promote the development of a market economy, taking fully into account the transitional problems arising from necessary structural change;
- by undertaking additional efforts, in the competent bodies, to coordinate EU policy in the context of international financial institutions;
- by assisting in securing and implementing a transparent and stable legislative and regulatory framework in Russia designed to promote economic activity and increased domestic and foreign investment;
- by promoting the establishment of the necessary legislative and institutional framework for sustainable fiscal policies (e.g. taxation, accounting, and control of spending);
- by also promoting credible banking sector reforms with fair conditions for foreign banks and effective donor coordination with full EU participation;
- by encouraging further structural, economic and administrative reforms including further privatisation, restructuring of business, and the growth of the Russian SME sector;
- by helping to make Russian industry, agriculture, and energy sectors more competitive;
- by helping to provide the basis for effective land reform in Russia, allowing the introduction of private property, and providing technical assistance to this process (e.g. through a functioning land register).

(b) Support the integration of Russia into a wider area of economic cooperation in Europe:

- by promoting progressive approximation of legislation, in particular in the field of customs as well as standards and certification, competition policy and the environment;
- by encouraging the further integration of Russia into the multilateral trading system and by supporting Russian efforts to meet the requirements for WTO accession, including legislative and institutional reform;
- by examining how to create the necessary conditions, in addition to Russia's WTO accession, for the future establishment of an EU-Russia free-trade area;
- by encouraging Russia to remove obstacles to trade and investment, in particular through the improvement of border crossing procedures and facilities, and by examining, in accordance with EU rules and procedures, Russian concerns with respect to access to the EU market;
- by exploring more concretely the scope for cooperation in areas of established Russian expertise (e.g. science, aircraft, space, energy);
- by promoting partnership with a view to enhancing the development of the cultural industries of Russia including in the field of arts management;
- by better coordinating and, as necessary, expanding existing European programmes to train Russian managers and entrepreneurs.

(c) Lay the basis for a social market economy

- by favouring social dialogue through supporting the emergence of modern trade unions and employer organisations;
- by encouraging wider adherence to core ILO labour standards;
- by seeking to ensure the social protection of all Russia's citizens, in particular vulnerable groups, through technical support of administrative reforms of the Russian social services and health care systems.

3. Cooperation to strengthen stability and security in Europe and beyond

The EU wishes to deepen and widen cooperation with Russia and identify common responses to the security challenges in Europe and beyond through:

(a) reinforcing political dialogue

- by considering ways to give more continuity to the existing political dialogue and render it more operational, including through the important role to be played by the Secretary-General of the Council, High Representative for the CFSP;
- by working with Russia to develop joint foreign policy initiatives in support of common foreign policy objectives.

(b) Russia's place in the European Security Architecture

- by further developing cooperation with Russia in the new European Security Architecture within the framework of the OSCE, in particular in the run-up to the Istanbul Summit;
- by continuing cooperation with Russia in the elaboration of aspects of the European Security Charter;
- by considering facilitating the participation of Russia when the EU avails itself of the WEU for missions within the range of the Petersberg tasks.

(c) Preventive diplomacy

- by enhancing EU-Russia cooperation to contribute to conflict prevention, crisis management and conflict resolution, including within the OSCE and the UN;
- by promoting arms control and disarmament and the implementation of existing agreements, reinforcing export controls, curbing the proliferation of WMD, and supporting nuclear disarmament and CW destruction.

4. Common challenges on the European continent

The European Union will, in particular, cooperate with Russia in:

(a) energy and nuclear safety

- by enhancing the Russian commitment to energy sector reform, including nuclear safety and environmental protection; for example by working with Russia to improve energy efficiency and by providing technical assistance on energy conservation in Russia; by improving the safety of Russian nuclear power stations and by cooperation on nuclear waste and spent fuel issues in North-West Russia;
- by encouraging Russian commitment to nuclear safety in the framework of the Convention on Nuclear Safety, through the Nuclear Safety Account Agreement and in the framework of international initiatives and by helping to strengthen the Russian nuclear safety regulatory authority (GAN);
- by promoting Russian ratification of the Energy Charter Treaty and continuing consultations on a Multilateral Transit Framework which will enhance cooperation between Russia and its neighbours over access to the Russian pipeline system.

(b) environment and health

- by encouraging and supporting the secure storage of nuclear and chemical waste and the safe management of spent fuel, in particular in Northwest Russia;
- by supporting the integration of environmental considerations in economic reform and by assisting in the creation of effective systems for monitoring and ensuring compliance with multilateral environmental agreements, and supporting Russian efforts to strengthen the enforcement of national environmental legislation;
- by working with Russia, especially in areas adjacent to the enlarging Union, to reduce water and air pollution and to improve environmental protection and by cooperating on promoting sustainable use of natural resources in particular in the various fora for regional cooperation;
- by cooperating with Russia in order to improve precautions against infectious diseases, including by supporting vaccination programmes;
- by cooperating also in strengthening plant-health controls.

(c) fight against organised crime, money laundering and illicit traffic in human beings and drugs; judicial cooperation

- by enhancing the rule of law and offering assistance in developing the legal order, including by encouraging Russia to sign, ratify and implement key conventions, especially in the field of judicial cooperation in civil and criminal matters;
- by pursuing, on the basis of existing common positions, an appropriate dialogue with Russia in the ongoing negotiations in Vienna on the United Nations Convention against Transnational Organised Crime;
- by increasing the cooperation and exchange of experts between Member States and Russia in the context of combating organised crime, including in the field of the treatment and rehabilitation of drug addicts as well as in

the field of drug prevention. This shall be achieved in cooperation with the European Monitoring Centre for Drugs and Drug Addiction;

- by organising seminars on types and methods of money laundering;
- by developing the cooperation of Europol with the competent Russian authorities as provided for under the Europol Convention, notably for improving the fight against illicit traffic in human beings and drugs as well as immigrant smuggling;
- by intensifying cooperation between the liaison officers of the Member States in Moscow, within the limits of their respective national laws;
- by developing cooperation mechanisms in combating transnational drug crime, and the involvement of Russia in the concertation process of the Dublin Group;
- by carrying out information campaigns in cooperation with Russian agencies in order to prevent the traffic of human beings;
- by improving the cooperation regarding the re-admission of own nationals, persons without nationality and third country nationals, including the conclusion of a re-admission agreement; by combating illegal migration including by continuing the basic and advanced training courses for staff members of border and migration authorities;
- by intensifying dialogue with Russia on the adjustment of Russia's visa policy to the European Union through the introduction of visa requirements in accordance with the EC provisions and introduction of travel documents which are sufficiently fake-proof;
- by working together with Russia with a view to the introduction of sanctions by Russia on carriers providing transfrontier transport of inadequately documented passengers and with a view to the introduction of penal provisions for combating immigrant-smuggling.

(d) regional and cross border cooperation and infrastructure

- by working more effectively with Russia in the various fora for regional cooperation (CBSS, BSEC, Barents Euro-Arctic Council), and by enhancing cross-border cooperation with neighbouring Russian regions (including Kaliningrad), especially in view of the EU's enlargement and including in the framework of the Northern Dimension;
- by enhancing cooperation and technical assistance in the areas of border management and customs;
- by exploring the scope for working towards linking the Russian transportation systems (road and rail) with the Trans-European corridors and by seeking mutually satisfactory ways to address transport issues.

PART III

SPECIFIC INITIATIVES

The following specific initiatives shall be pursued not precluding possible new initiatives:

Political and security dialogue

The Union will consider ways to give more continuity, flexibility and substance to the existing political dialogue, as instituted under the PCA, and to render it more operational and effective:

- the Council will examine the possibility of creating a permanent EU/Russia mechanism for political and security dialogue, bearing in mind the important role to be played by the Secretary-General of the Council, High Representative for the CFSP. One of the aims would be to work with Russia to develop joint foreign policy initiatives with regard to specific third countries and regions, to conflict prevention and to crisis management especially in areas adjacent to Russia, on the Balkans and the Middle East;
- the Council will consider developing a consultation mechanism, in addition to existing troika expert level talks, with Russia, possibly involving third countries, on non-proliferation issues, as well as intensifying efforts, including through increased coordination/joint activities with third countries, in support of Russia's chemical weapons destruction;
- the Council will, in addition, examine the scope for Joint Actions and Common Positions concerning the safe management of biological, and chemical materials, as well as fissile materials in Russia under IAEA verification

which are designated as no longer necessary for defence purposes, notably on the basis of international conventions. Particular consideration will be given to the International Science and Technology Centre in Moscow.

Work on these actions will begin by the end of 1999.

Dialogue on economic questions

The macro-economic situation in Russia, experience in building European unity, the introduction of the euro and the process of enlargement reinforce the importance of specific consultations between the Union and Russia on economic issues.

The Union will consider the launching of a specific high-level EU/Russia dialogue to support the development by the Russian Government of measures to promote sustained economic recovery based on a comprehensive economic programme, endorsed by the IMF, leading to a functioning market economy. The Union will also consider the provision of high-level economic policy advice to the Russian Government through the involvement of eminent EU experts.

The Member States will reinforce, where necessary, their coordination in relevant international organisations and fora.

A joint Presidency/Commission report in regard to these proposals should be prepared by the competent bodies by the end of 1999.

Trade and investment

Taking into account the launch of new multilateral negotiations in the WTO and the fact that the Community has made proposals as to how Russia can continue its negotiations to accede to that organisation, the Community reaffirms its readiness to maintain and, if appropriate, enhance its existing support for Russian efforts to meet the requirements for entering the WTO at the earliest possible time.

In addition, the Commission will examine ways to deepen the investment dialogue with Russia in the framework of the PCA to improve the trade and investment climate in Russia and to facilitate two-way trade and investment, and to report to the Council by the end of 1999.

Fight against organised crime

The European Union and Russia have a major interest in setting up durable, effective cooperation in the area of justice and home affairs, not least as a means of promoting respect for human rights and the rule of law. In that respect, the fight against organised crime is an obvious priority.

For that reason, the European Union is proposing to set up a plan focused on common action with Russia to fight organised crime, including actions to fight corruption, money laundering, trafficking in drugs, human beings and illegal immigration. The Union proposes to cover, inter alia, the following areas:

- assistance in training for members of the judiciary and law enforcement authorities, particularly with regard to investigation and intervention techniques;
- the development of the necessary legal, institutional and judicial framework for the effective prosecution of organised crime, especially in the areas of money laundering, illegal economic activity, and trafficking in human beings;
- the development of effective cooperation mechanisms to combat cross-border drugs crime; and
- the development of cooperation between Europol and the competent Russian authorities as provided for under the Europol Convention.

An ongoing dialogue between the competent Russian bodies and European Union Member States' liaison officers based in Moscow will make it possible to analyse Russia's requirements in this area more precisely. In this respect, the December 1999 EU-Russia Conference on Organised Crime will be of particular importance. A report will be submitted to the Council in the first half of 2000.

Twinning programmes

The dual objective of consolidating Russian public institutions and bringing civil societies closer together involves an increase in the development of exchanges at all levels between Russia and the Member States.

To that end, the Union wishes to develop twinning programmes with Russia:

- for the purpose of strengthening institutions: in regional and local administrations;
- for the purpose of bringing civil societies closer together: between professional associations and trade unions, universities, NGOs, and the media. The Commission will study the possibility of bringing Community programmes into play for this purpose (TACIS, TEMPUS and DEMOCRACY). The Member States' bilateral instruments will also be used. The Member States and the Commission will coordinate their programmes; in that connection, they may draw upon the programme set up by the Union to train Russian executives.

On the basis of an inventory of instruments in existence (to be drawn up by the Commission in liaison with the General Secretariat of the Council) and an identification mission in Russia, the Commission will report to the Council by the end of 1999 and will thereafter submit proposals for action as appropriate.

Exchange programmes for students and young scientists

The Union will examine the possibility of developing EU exchange programmes for students constituting an integral part of their course of study and for young scientists working on International Science and Technology Centre contracts. In particular, this will involve:

- inviting the Commission to draw up an overview of existing EC and Member States programmes;
- also inviting the Commission to report, in the first half of 2000, on the means for improving complementarity among existing European programmes in this field and on the possibilities for and the modalities of an enhanced Community exchange programme.

Establishment of a viable health and welfare system

The Member States and the Commission will review their programmes designed in general to encourage Russian efforts to establish a viable system of welfare and social protection and in particular to support the reform of public health care systems in Russia and improve the coordination, efficiency and complementarity of such programmes, with a view to a Commission report by June 2000.

Cross-border and regional cooperation

The Union will support the strengthening of cross-border and regional cooperation and will prepare an inventory of relevant EC and Member States instruments and actions directed at the enhanced involvement of EU programmes in Russian regions of special interest to the EU. In this context the Council and the Commission will intensify the preparation of the November 1999 Helsinki Conference on the EU's Northern Dimension.

PART IV

DURATION

This Common Strategy shall apply from the date of its publication for an initial period of four years. It may be prolonged, reviewed and, if necessary, adapted by the European Council on the recommendation of the Council.

PUBLICATION

This Common Strategy shall be published in the Official Journal.

Done at Cologne,

For the Council

The President

European Council Declaration on the Common Strategy on Russia

The Council acts by qualified majority when adopting joint actions, common positions or any other decisions within the scope of Title V of the Treaty on European Union (Common Foreign and Security Policy), on the basis of the Common Strategy.

Acts adopted outside the scope of Title V of the Treaty on European Union shall continue to be adopted according to the appropriate decision-making procedures provided by the relevant provisions of the Treaties, including the Treaty establishing the European Community and Title VI of the Treaty on European Union.



ANNEX III - EUROPEAN COUNCIL DECLARATION ON STRENGTHENING THE COMMON EUROPEAN POLICY ON SECURITY AND DEFENCE

1. We, the members of the European Council, are resolved that the European Union shall play its full role on the international stage. To that end, we intend to give the European Union the necessary means and capabilities to assume its responsibilities regarding a common European policy on security and defence. The work undertaken on the initiative of the German Presidency and the entry into force of the Treaty of Amsterdam permit us today to take a decisive step forward.

In pursuit of our Common Foreign and Security Policy objectives and the progressive framing of a common defence policy, we are convinced that the Council should have the ability to take decisions on the full range of conflict prevention and crisis management tasks defined in the Treaty on European Union, the "Petersberg tasks". To this end, the Union must have the capacity for autonomous action, backed up by credible military forces, the means to decide to use them, and a readiness to do so, in order to respond to international crises without prejudice to actions by NATO. The EU will thereby increase its ability to contribute to international peace and security in accordance with the principles of the UN Charter.

2. We are convinced that to fully assume its tasks in the field of conflict prevention and crisis management the European Union must have at its disposal the appropriate capabilities and instruments. We therefore commit ourselves to further develop more effective European military capabilities from the basis of existing national, bi-national and multinational capabilities and to strengthen our own capabilities for that purpose. This requires the maintenance of a sustained defence effort, the implementation of the necessary adaptations and notably the reinforcement of our capabilities in the field of intelligence, strategic transport, command and control. This also requires efforts to adapt, exercise and bring together national and multinational European forces.

We also recognise the need to undertake sustained efforts to strengthen the industrial and technological defence base, which we want to be competitive and dynamic. We are determined to foster the restructuring of the European defence industries amongst those States involved. With industry we will therefore work towards closer and more efficient defence industry collaboration. We will seek further progress in the harmonisation of military requirements and the planning and procurement of arms, as Member States consider appropriate.

3. We welcome the results of the NATO Washington summit as regards NATO support for the process launched by the

EU and its confirmation that a more effective role for the European Union in conflict prevention and crisis management will contribute to the vitality of a renewed Alliance. In implementing this process launched by the EU, we shall ensure the development of effective mutual consultation, cooperation and transparency between the European Union and NATO.

We want to develop an effective EU-led crisis management in which NATO members, as well as neutral and non-allied members, of the EU can participate fully and on an equal footing in the EU operations.

We will put in place arrangements that allow non-EU European allies and partners to take part to the fullest possible extent in this endeavour.

4. We therefore approve and adopt the report prepared by the German Presidency, which reflects the consensus among the Member States.

5. We are now determined to launch a new step in the construction of the European Union. To this end we task the General Affairs Council to prepare the conditions and the measures necessary to achieve these objectives, including the definition of the modalities for the inclusion of those functions of the WEU which will be necessary for the EU to fulfil its new responsibilities in the area of the Petersberg tasks. In this regard, our aim is to take the necessary decisions by the end of the year 2000. In that event, the WEU as an organisation would have completed its purpose. The different status of Member States with regard to collective defence guarantees will not be affected. The Alliance remains the foundation of the collective defence of its Member States.

We therefore invite the Finnish Presidency to take the work forward within the General Affairs Council on the basis of this declaration and the report of the Presidency to the European Council meeting in Cologne. We look forward to a progress report by the Finnish Presidency to the Helsinki European Council meeting.

Presidency Report on Strengthening of the common European policy on security and defence

1. Introduction

The Treaty of Amsterdam which entered into force on 1 May provides for the enhancement of the Common Foreign and Security Policy (CFSP), including the progressive framing of a common defence policy as provided in Article 17 of the TEU. The Treaty also provides for the possibility of integrating the WEU into the EU, should the European Council so decide.

The European Council in Vienna welcomed the new impetus given to the debate on a common European policy in security and defence. It considered that in order for the EU to be in a position to play its full role on the international stage, the CFSP must be backed by credible operational capabilities. Furthermore, it welcomed the Franco-British declaration made on 4 December 1998 in St. Malo. The European Council invited the German Presidency to pursue this debate and agreed to examine the question again at the European Council in Cologne. To this end Foreign Ministers discussed the subject at their informal meeting in Reinhartshausen on 13/14 March and at the General Affairs Council on 17 May.

The NATO Washington Summit welcomed the new impetus given to the strengthening of a common European policy on security and defence by the Amsterdam Treaty and confirmed that a stronger European role will help contribute to the vitality of the Alliance for the 21st century. The NATO summit furthermore stressed that the development of a CFSP, as called for in the Amsterdam Treaty, would be compatible with the common security and defence policy established within the framework of the Washington Treaty. This process will lead to more complementarity, cooperation and synergy.

At the WEU Ministerial Council on 10 and 11 May this question was also discussed on the basis of the informal reflection which was initiated at the Rome Ministerial Council. Member States will undertake efforts in line with the conclusions of the ongoing WEU Audit of European defence capabilities.

2. Guiding Principles

The aim is to strengthen the CFSP by the development of a common European policy on security and defence. This requires a capacity for autonomous action backed up by credible military capabilities and appropriate decision making bodies. Decisions to act would be taken within the framework of the CFSP according to appropriate procedures in order to reflect the specific nature of decisions in this field. The Council of the European Union would thus be able to take decisions on the whole range of political, economic and military instruments at its disposal when responding to crisis situations.

The European Union is committed to preserve peace and strengthen international security in accordance with the principles of the UN Charter as well as the principles of the Helsinki Final Act and the objectives of the Charter of Paris, as provided for in Article 11 of the TEU.

The Amsterdam Treaty incorporates the Petersberg tasks ("humanitarian and rescue tasks, peace-keeping tasks and tasks of combat forces in crisis management, including peace-making") into the Treaty.

The focus of our efforts therefore would be to assure that the European Union has at its disposal the necessary capabilities (including military capabilities) and appropriate structures for effective EU decision making in crisis management within the scope of the Petersberg tasks. This is the area where a European capacity to act is required most urgently. The development of an EU military crisis management capacity is to be seen as an activity within the framework of the CFSP (Title V of the TEU) and as a part of the progressive framing of a common defence policy in accordance with Article 17 of the TEU.

The Atlantic Alliance remains the foundation of the collective defence of its Members. The commitments under Article 5 of the Washington Treaty and Article V of the Brussels Treaty will in any event be preserved for the Member States party to these Treaties. The policy of the Union shall not prejudice the specific character of the security and defence policy of certain Member States.

3. Decision Making

As regards EU decision making in the field of security and defence policy, necessary arrangements must be made in order to ensure political control and strategic direction of EU-led Petersberg operations so that the EU can decide and conduct such operations effectively.

Furthermore, the EU will need a capacity for analysis of situations, sources of intelligence, and a capability for relevant strategic planning.

This may require in particular:

- regular (or ad hoc) meetings of the General Affairs Council, as appropriate including Defence Ministers;
- a permanent body in Brussels (Political and Security Committee) consisting of representatives with pol/mil expertise;
- an EU Military Committee consisting of Military Representatives making recommendations to the Political and Security Committee;
- a EU Military Staff including a Situation Centre;
- other resources such as a Satellite Centre, Institute for Security Studies.

Further institutional questions may need to be addressed.

Decisions relating to crisis management tasks, in particular decisions having military or defence implications will be taken in accordance with Article 23 of the Treaty on European Union. Member States will retain in all circumstances the right to decide if and when their national forces are deployed.

4. Implementation

As regards military capabilities, Member States need to develop further forces (including headquarters) that are suited also to crisis management operations, without any unnecessary duplication. The main characteristics include: deployability, sustainability, interoperability, flexibility and mobility.

For the effective implementation of EU-led operations the European Union will have to determine, according to the requirements of the case, whether it will conduct:

- EU-led operations using NATO assets and capabilities or
- EU-led operations without recourse to NATO assets and capabilities.

For EU-led operations without recourse to NATO assets and capabilities, the EU could use national or multinational European means pre-identified by Member States. This will require either the use of national command structures providing multinational representation in headquarters or drawing on existing command structures within multinational forces. Further arrangements to enhance the capacity of European multinational and national forces to respond to crises situations will be needed.

For EU-led operations having recourse to NATO assets and capabilities, including European command arrangements, the main focus should be on the following aspects:

- Implementation of the arrangements based on the Berlin decisions of 1996 and the Washington NATO summit decisions of April 1999.
- The further arrangements set out by NATO at its summit meeting in Washington should address in particular:
 - assured EU access to NATO planning capabilities able to contribute to military planning for EU-led operations;
 - the presumption of availability to the EU of pre-identified NATO capabilities and common assets for use in EU-led operations.

5. Modalities of participation and cooperation

The successful creation of a European policy on security and defence will require in particular:

- the possibility of all EU Member States, including non-allied members, to participate fully and on an equal footing in EU operations;
- satisfactory arrangements for European NATO members who are not EU Member States to ensure their fullest possible involvement in EU-led operations, building on existing consultation arrangements within WEU;
- arrangements to ensure that all participants in an EU-led operation will have equal rights in respect of the conduct of that operation, without prejudice to the principle of the EU's decision-making autonomy, notably the right of the Council to discuss and decide matters of principle and policy;
- the need to ensure the development of effective mutual consultation, cooperation and transparency between NATO and the EU;
- the consideration of ways to ensure the possibility for WEU Associate Partners to be involved.



ANNEX IV - EUROPEAN COUNCIL DECISION ON THE DRAWING UP OF A CHARTER OF FUNDAMENTAL RIGHTS OF THE EUROPEAN UNION

Protection of fundamental rights is a founding principle of the Union and an indispensable prerequisite for her legitimacy. The obligation of the Union to respect fundamental rights has been confirmed and defined by the jurisprudence of the European Court of Justice. There appears to be a need, at the present stage of the Union's development, to establish a

Charter of fundamental rights in order to make their overriding importance and relevance more visible to the Union's citizens.

The European Council believes that this Charter should contain the fundamental rights and freedoms as well as basic procedural rights guaranteed by the European Convention for the Protection of Human Rights and Fundamental Freedoms and derived from the constitutional traditions common to the Member States, as general principles of Community law. The Charter should also include the fundamental rights that pertain only to the Union's citizens. In drawing up such a Charter account should furthermore be taken of economic and social rights as contained in the European Social Charter and the Community Charter of the Fundamental Social Rights of Workers (Article 136 TEC), insofar as they do not merely establish objectives for action by the Union.

In the view of the European Council, a draft of such a Charter of Fundamental Rights of the European Union should be elaborated by a body composed of representatives of the Heads of State and Government and of the President of the Commission as well as of members of the European Parliament and national parliaments. Representatives of the European Court of Justice should participate as observers. Representatives of the Economic and Social Committee, the Committee of the Regions and social groups as well as experts should be invited to give their views. Secretariat services should be provided by the General Secretariat of the Council.

This body should present a draft document in advance of the European Council in December 2000. The European Council will propose to the European Parliament and the Commission that, together with the Council, they should solemnly proclaim on the basis of the draft document a European Charter of Fundamental Rights. It will then have to be considered whether and, if so, how the Charter should be integrated into the treaties. The European Council mandates the General Affairs Council to take the necessary steps prior to the Tampere European Council.



ANNEX V - EUROPEAN COUNCIL DECLARATION ON KOSOVO

President Ahtisaari, mandated by the European Union, reported to the Heads of State or of Government meeting in Cologne on the mission he had undertaken to Belgrade together with Mr Chernomyrdin, Special Envoy of the President of the Russian Federation.

The Heads of State or of Government congratulated the two emissaries on the success of their demarche. They took note of the Yugoslav authorities' acceptance of the peace plan setting out and detailing the international community's demands.

The Heads of State or of Government acknowledge that there is now a real possibility of achieving a political settlement, the first stage of which is to begin the verifiable withdrawal of all Yugoslav forces from Kosovo. This would enable NATO operations to be suspended. They want this process to be initiated immediately.

They therefore emphasise the urgent need for the adoption of a UN Security Council Resolution authorising the creation of the international security force and the setting up of the provisional international civil administration.

They decided that a draft Resolution will be drafted without delay so that it can be forwarded immediately to the member countries of the Security Council.



ANNEX VI - DOCUMENTS SUBMITTED TO THE EUROPEAN COUNCIL IN COLOGNE

Report on the European Employment Pact
(8705/99)

- Contribution to the Presidency report on the European Employment Pact — Draft memorandum of the Presidency on "Youth and Europe — Our future" (8288/99 + COR 1 (d))
- Proposal for a Council Resolution on equal employment opportunities for people with disabilities (8296/99)
- Commission communication on Community policies in support of employment (7827/99)
- European Employment Pact — Member States' contributions (8906/99)
- Commission report: "Europe as an Economic Entity" — 1999 report (8746/99)
- Report from the Commission on progress achieved in implementing the Luxembourg Process: Common indicators and Lifelong learning (8745/1/99 REV 1)
- Draft report from the Council (ECOFIN) on the broad guidelines of the economic policies of the Member States and the Community (8586/99)
- Commission communication: Implementing the framework for
- Conclusions of the Council on the Commission report on the implementation of the action plan for financial services (8616/99)
- Progress report by the Council (Economic and Financial Questions) to the European Council: reinforced tax policy cooperation (8484/1/99 REV 1)
- Report by the Council on improvements in the functioning of the international financial system (8460/1/99 REV 1)
- Commission report: Investment in infrastructure in the European Union (8453/99)
- Commission working paper: Environmental integration - mainstreaming of environmental policy (8850/99)
- Communication from the Commission to the Council and the European Parliament: Preparing for implementation of the Kyoto Protocol (8830/99)
- Note from the Presidency on human rights (8727/99)
- Presidency report on the strengthening of the common European policy on security and defence (8239/1/99)
- Commission communication to the Council and European Parliament on the stabilisation and association process for countries of South-Eastern Europe: Bosnia and Herzegovina, Croatia, Federal Republic of Yugoslavia, former Yugoslav Republic of Macedonia and Albania (8858/99)
- Commission communication to the European Council on combating racism, xenophobia and anti-semitism in the applicant countries (8831/99)
- Commission report: the Millennium bug: state of play as regards preparation of the EU's most important infrastructures for the beginning of the new millennium (8996/99)