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# CARDIFF EUROPEAN COUNCIL

15 AND 16 JUNE 1998

## PRESIDENCY CONCLUSIONS

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## I. INTRODUCTION

1. In the last six months historic decisions have been taken on Economic and Monetary Union. The process of further enlargement has begun. So have negotiations on the Agenda 2000 proposals on policy reform and the future financing of the Union. The economic outlook has improved. A new process of economic reform and the promotion of employment is under way so that all Europe's citizens can enjoy the full benefits of EMU and the single market.

2. The Cardiff European Council has taken further steps in this process by:

- setting out essential elements of the European Union's strategy for further economic reform to promote growth, prosperity, jobs and social inclusion;
- identifying practical ways of bringing the Union closer to people through greater transparency, environmental integration and stepping up the fight against drugs and organised crime;
- establishing guidelines and a timeframe for further negotiations on Agenda 2000;
- reviewing other progress in developing the Union and its external relations;
- launching a longer-term debate on the Union's future development.

3. The European Council began with an exchange of views with the President of the European Parliament on the main topics to be discussed at its meeting.

4. The European Council warmly welcomes the presence in Cardiff of the President of the Republic of South Africa, Mr Nelson Mandela, whose personal courage and statesmanship has profoundly marked the history of his country, and has served as an example to champions of civil rights and democracy throughout the world.

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## II. ECONOMIC AND MONETARY UNION

5. The European Council welcomes the historic decision taken on 3 May 1998 confirming that eleven Member States met the conditions for joining the single currency, as well as the establishment of the European Central Bank on 1 June 1998. It urges the Council, the Member States and the private sector to complete rapidly the remaining legislative and practical steps needed to ensure the successful introduction of the euro on 1 January 1999. It asks the Council to take the necessary measures to ensure the external representation of the euro Member States area in an effective manner.

6. The full benefits of EMU and the European single market for all Europe's citizens can be achieved only by a strategy to promote employment through increased competitiveness and economic and social cohesion

within a framework of macro-economic stability. The progress made by all Member States towards a high degree of convergence and stability is contributing to sustainable economic growth and employment throughout the Union. The introduction of the euro will help to ensure stable macro-economic conditions.

The European Council welcomes the determination of Member States to ensure effective coordination of their economic policies.

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### **III. ECONOMIC REFORM AND SOUND PUBLIC FINANCES: THE BASIS FOR GROWTH, PROSPERITY AND JOBS**

7. Sustained fiscal consolidation and economic reform are essential if the Union is to face successfully the challenges of globalisation, competitiveness, and promoting employment and inclusion. The European Council welcomes the Declaration concerning budgetary discipline and structural reform adopted by the ECOFIN Council on 1 May 1998. It also reaffirms the importance it attaches to strict budgetary discipline at Community level.

8. The importance of the contribution of the social partners was underlined by their exchange of views on these issues with the Troika of Presidencies on 14 June. The European Council favours a strong and broad based social dialogue and welcomes the intention of the Austrian Presidency to organise in Vienna a seminar with the social partners, including representatives of SMEs, to explore ways further to improve the social dialogue.

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### **DEVELOPING THE BROAD ECONOMIC GUIDELINES AS A TOOL FOR GROWTH**

9. The European Council agrees with the Council's recommendations on the Broad Economic Guidelines in the Member States and in the Community and commends them to the Council for adoption. The European Council welcomes the progress made in all Member States towards stable prices, sound public finances, and economic reform which are the foundations for more growth, prosperity and jobs throughout Europe. It confirms its view that strong fundamentals and the sound policies set out in the Broad Economic Guidelines provide the conditions for a further strengthening of the recovery and its extension into a self-sustaining, non-inflationary economic growth process over the medium and longer term - a prerequisite for substantially and durably higher employment. In this context, the European Council welcomes the statement on the international economic situation made by Finance Ministers on 15 June (Annex I).

10. After 1 January 1999 it will be important to strengthen this process further. The Broad Economic Guidelines must be an effective instrument for surveillance, coordination of economic policies, and for promoting sustained convergence.

11. Economic policy should focus on promoting growth and employment and on securing macro-economic stability and efficient working of labour, product (goods and services) and capital markets. The European Council welcomes the decision by the Council to establish a light procedure under which Member States and the Commission will produce short year-end reports within their areas of competence on product and capital markets. This procedure will fully respect subsidiarity, help exchange best practice and complement the information already available in national employment plans and other existing reports. The European Council also welcomes the Commission's proposal to produce a report on structural issues and policies drawing on this material for consideration by the ECOFIN and other formations of the Council.

drawing on this material for consideration by the ECOFIN and other formations of the Council.

## ACTION FOR EMPLOYMENT

12. An enterprising and inclusive society needs to give all citizens, particularly the young and long-term unemployed, the opportunity to work and to contribute to broader economic and social development. For the first time, all 15 Member States have submitted Employment Action Plans as agreed at the Luxembourg European Council. From the initial assessments of the Action Plans by the Commission and the Council it is clear that Member States are:

- making serious efforts to enhance the employability of the active population, in particular of the young and long-term unemployed, and of women;
- actively promoting the development of skills and lifelong learning;
- seeking to improve conditions for SMEs and the self-employed;
- taking measures to promote work as opposed to dependence.

13. The European Council welcomes this progress and urges the Member States to proceed with the practical implementation of the Action Plans as speedily as possible, allowing for continuing evaluation and updating.

14. The Social Affairs and ECOFIN Councils should continue to work together to exchange best practice, to develop peer group evaluation of Member States' Action Plans and to consider the 1999 Employment Guidelines in preparation for the Vienna European Council and future European Councils. The European Council underlines the need for economic reform to be linked to social dialogue in order to enhance its understanding and acceptance

More work is also needed to define comparable indicators of progress, where necessary, and to secure the effective contribution of the social partners. The Commission has undertaken to make a report for the European Council in Vienna on ways of improving the comparability of the statistics used in that context.

15. Orientations which guide our future work on employment shall include:

- reinforcing the development of a skilled and adaptable workforce, including through lifelong learning; particular attention should be paid to older workers;
- strengthening action on equal opportunities by ensuring that equality between men and women is mainstreamed in all employment policies; promoting family friendly working practices, including suitable childcare and parental leave schemes;
- tackling discrimination against the disabled, ethnic minorities and other groups at a disadvantage in the labour market;
- promoting new ways of organising work, where necessary by reviewing the existing regulatory framework at all levels, to combine flexibility and security;
- reviewing tax and benefit systems to make it easier for employers to create new jobs and more attractive for employees to fill them;
- developing a culture of entrepreneurship and encouraging the growth of smaller businesses.

16. The European Council notes the interim report of the High Level Group on Industrial Change and stresses the importance of the final report for Vienna giving practical advice on how to improve European industry's responsiveness to change. The European Council look forward to the annual updating of the report on "Europe as an Economic Entity" for its meeting in Vienna.

## **MAKING THE SINGLE MARKET A MOTOR FOR NEW JOBS**

17. Good progress has been made on modernising, extending and simplifying the single market. To enable the single market to make its full contribution to competitiveness, growth and employment, still more needs to be done. The European Council therefore:

- welcomes the Commission's work on an extended scoreboard with indicators of effective market integration, including price differentials and implementation of single market measures, as set out in the Broad Economic Guidelines;
- notes that improvement in the functioning of the single Market is of paramount importance for a successful EMU. This work will also help to ensure that consumers benefit fully from the lower prices brought by the single market and EMU;
- reaffirms its commitment to transpose the remaining overdue single market Directives into national laws by the end of this year;
- invites the Council and the Commission to pursue initiatives on enforcement of single market laws including improved complaints procedures, and greater use of informal procedures such as peer group review;
- welcomes the work that has already been launched to improve weaker areas such as standardisation, mutual recognition and public procurement and asks the Council and Commission to pursue this work actively;
- invites the Commission to table a framework for action by the time of the Vienna European Council to improve the single market in financial services, in particular examining the effectiveness of implementation of current legislation and identifying weaknesses which may require amending legislation;
- reaffirms its commitment to fostering tax efficiency and discouraging harmful tax competition. The European Council welcomes the new Code of Conduct Group on business taxation, and its intention to send a preliminary report to the Council by the end of the year;
- emphasises the need to promote competition and to reduce distortions such as state aids.

18. The European Council intends to review progress in these areas at its future meetings.



## **PROMOTING ENTREPRENEURSHIP AND COMPETITIVENESS**

19. Member States and the Community need to work together to create conditions for fostering and encouraging entrepreneurs and small businesses. The Council has begun to identify the key factors influencing competitiveness, which include skills and adaptability of labour, an efficient market for capital, and an improved environment for business start-ups and innovation. Work in these areas should continue in partnership with business.

20. The Business Environment Simplification Task Force has identified ways to improve the business climate for entrepreneurs and promote entrepreneurship. The Commission is invited to draw up a timetable for action, in the light of the recommendations in the BEST report, to assess the extent to which current policies encourage entrepreneurship.

21. Access to capital is a key factor in encouraging entrepreneurs and smaller business to achieve their full potential. The European Council welcomes the Commission's report on the promotion of risk capital in the EU and calls on the Council and Member States to consider its recommendations, including its proposed Action Plan.

22. The Commission report "Legislate Less To Act Better: The Facts" shows the importance of subsidiarity and better regulation. This is a shared responsibility which requires the institutions and the Member States to work together.

23. The European Council welcomes the Commission's establishment of a pilot test panel of businesses to improve consultation on new regulatory proposals, and encourages it to develop its business impact assessment system.

24. It invites the Commission to press ahead with its Simpler Legislation for the Internal Market (SLIM) initiative in all areas of single market legislation. The Commission is also requested to co-ordinate the sharing of best regulatory practice, on the basis of contributions by the Member States.

25. The Commission is invited to report before the Vienna European Council on progress in all these areas.

26. Innovation is crucial to promoting enterprise. The European Council welcomes the progress made by the Council on the Fifth Research and Development Programme, and calls for it to be adopted in good time before the end of 1998.



#### **IV. BRINGING THE UNION CLOSER TO PEOPLE**

27. A sustained effort is needed by the Member States and all the institutions to bring the Union closer to people by making it more open, more understandable and more relevant to daily life. The European Council is therefore particularly concerned to see progress in policy areas which better meet the real concerns of people, notably through greater openness, and progress on environment and justice and home affairs.



##### **OPENNESS**

28. The European Union is committed to allowing the greatest possible access to information on its activities. The Internet is being used to provide more information on the European Union, including shortly a public register of Council documents. The Commission, the Council and the European Parliament should prepare rapid implementation of the new provisions on openness in the Treaty of Amsterdam.

29. The European Council welcomes the Commission's use of the Internet to promote an effective dialogue with citizens and business on their single market rights and opportunities.

30. The European Council noted the outcome of the Council's Europe 98 conference. It welcomed the

30. The European Council noted the outcome of the People's Europe 98 conference. It welcomed the participation of representatives from all parts and sections of the society across Europe, and the conference's contribution to public debate. It encouraged future Presidencies and the Commission to promote such public debate.

31. The European Council invites the Council and the Member States to consider ideas to promote more contacts between young people, e.g. through the Internet, and the scope for tackling social exclusion among young people, including through sport.

## ENVIRONMENT

32. A healthy environment is central to the quality of life. Our economies must combine prosperity with protection of the environment. That is why the Amsterdam Treaty emphasises the integration of environmental protection into Community policies, in order to achieve sustainable development. The European Council welcomes the Commission's submission of a draft strategy and commits itself to consider it rapidly in view of the implementation of the new Treaty provisions. It invites the Commission to report to future European Councils on the Community's progress in meeting this Treaty requirement and welcomes the commitment of the Austrian, German and Finnish Presidencies to achieve further practical progress.

33. The European Council endorses the principle that major policy proposals by the Commission should be accompanied by its appraisal of their environmental impact. It notes the Commission's efforts to integrate environmental concerns in all Community policies and the need to evaluate this in individual decisions, including on Agenda 2000.

34. The European Council invites all relevant formations of the Council to establish their own strategies for giving effect to environmental integration and sustainable development within their respective policy areas. They should monitor progress taking account of the Commission's suggested guidelines and identifying indicators. The Transport, Energy and Agriculture Councils are invited to start this process. The Council and Commission are invited to keep under review their organisational arrangements necessary to carry this forward. The European Council at Vienna will take stock of progress.

35. The European Council welcomes the progress in following up the Kyoto Conference on Climate Change. The Community and the Member States now need to develop strategies to meet their commitments under the Kyoto Protocol. Meeting these demanding targets will be a practical test of the progress the Community and Member States are making towards integrating environmental concerns into their policies. The European Council will review progress in 1999.

36. The European Council urges the earliest possible agreement of those elements of the Auto-Oil package which are under conciliation with the European Parliament. These measures will make an important contribution to improving Europe's air quality.

## JUSTICE AND HOME AFFAIRS

37. Working together to tackle the ever greater dangers posed by cross-border crime is crucial for people's safety and security. The European Council welcomes the excellent progress made in implementing the Action Plan to fight organised crime, including the ratification by all Member States of the Europol

Convention and the conclusion of the pre-accession pact with the countries of Eastern and Central Europe and Cyprus. It invites the Council to report to its meeting in Vienna on progress in implementing the Action Plan as a whole.

38. The European Council urges those Member States which have not already done so to ratify rapidly the Convention on the Protection of the European Communities' Financial Interests (the Fraud Convention) and the Convention of 27 September 1996 relating to extradition between the Member States of the European Union. It also urges the Council to conclude the Joint Action on private sector corruption by December 1998 and calls on Member States to ratify the Corruption Convention by December 1999.

39. The European Council underlines the importance of effective judicial cooperation in the fight against cross-border crime. It recognises the need to enhance the ability of national legal systems to work closely together and asks the Council to identify the scope for greater mutual recognition of decisions of each others' courts.

40. Serious environmental crime is a grave problem, often with cross-border effects. The European Council invites the Council to consider, building on work in other fora, closer cooperation and common measures to protect the environment through effective criminal law provision and enforcement in each Member State.

41. The European Council is deeply concerned by the threat to our societies posed by drugs. It endorses the key elements of an EU strategy to tackle all aspects of the problem in 2000-2004 and asks the Council and the Commission to develop this into a comprehensive plan as a basis for action. Cooperation among all countries to combat drugs is vital and the European Council therefore welcomes the success of the United Nations' initiative to hold a General Assembly Special Session on that subject. This cooperation should include all aspects of the drugs problem : natural and synthetic drugs, drug misuse, trafficking and money laundering, and treatment and rehabilitation. The European Council stresses the importance of building on existing EU initiatives in other regions and, in particular, developing further cooperation with the applicant countries, including through the European Conference.

42. The Community and the Member States should continue to implement and update the Action Plan on the influx of migrants from Iraq and the neighbouring region. It invites the Council to build on this work in order to be prepared for comparable influxes in future.

43. The European Council welcomes the start of work by the Management Board of the European Monitoring Centre on Racism and Xenophobia. It looks forward to the early opening of the centre itself. It also welcomes the Commission's Action Plan against racism and looks forward to proposals for further common action.



## CENTURY DATE CHANGE PROBLEM

44. Problems for information technology and other electronic systems arising from the year 2000 could have serious cross-border effects. It is therefore important that Member States share best practice in addressing the problem.

45. National programmes should raise awareness and prescribe action to minimise disruption. Such action should include ensuring millennium compliance in critical systems in the state sector, contingency planning and appropriate training to address skill shortages. The issue should continue to receive top priority. The

Commission is invited to report on progress before the Vienna European Council.



## V. DEVELOPING THE UNION

### PREPARING TO IMPLEMENT THE TREATY OF AMSTERDAM

46. Ratification of the Treaty of Amsterdam is well underway. The European Council looks forward to its early entry into force.

47. Progress has been made in preparatory work to establish the CFSP policy planning and early warning unit and consolidate relations between the EU and the WEU. The Treaty of Amsterdam establishes that the General Secretariat of the Council shall be under the responsibility of a Secretary-General, High Representative for the CFSP, assisted by a Deputy Secretary-General. So as to meet its commitment at Amsterdam that the new Treaty should be fully operational once it enters into force, the European Council resolves to take the necessary decisions in this regard at its meeting in Vienna.

48. In the light of the good progress which has been made towards integrating the Schengen Secretariat into the General Secretariat of the Council and determining the appropriate legal bases for the Schengen *acquis*, the European Council looks forward to early agreement on these issues. It also looks forward to agreement at the next General Affairs Council on the mandate for negotiations with Norway and Iceland, and urges their timely completion. It calls on the Council and Commission to present to its meeting in Vienna an Action Plan on how best to implement the provisions of the Treaty of Amsterdam on an area of freedom and security and justice.

49. The European Council notes that the European Parliament is developing proposals for the regulations and general conditions governing the performance of the duties of its Members, for consideration by the Commission and the Council as foreseen by the Amsterdam Treaty.

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### AGENDA 2000

50. Agenda 2000 is of fundamental importance for the future development of the European Union. The Union must make important choices about key policies and the medium term financial framework within which they will be developed. The European Council recognises that final agreement will need to be reached on the Agenda 2000 proposals as a whole.

51. Without prejudice to such a final agreement, the European Council considers that useful progress can already be identified in the light of the report from the Presidency and the Council.

#### *The Future Financial Framework*

52. A new financial perspective is essential for budget discipline, efficient expenditure and for an appropriate financial framework permitting the coordinated evolution of major categories of expenditure in accordance with the priorities defined for developing Community policies. There is broad agreement that it should be set for a seven-year period (2000 - 2006) with provision for adjustment at the time of the first enlargement. Without prejudice to the amounts to be identified for pre-accession aid, there is widespread support for maintaining the present categories of expenditure

within the financial perspective. In line with the conclusions of the Luxembourg European Council, a clear distinction must be made in the presentation and implementation in the financial framework between expenditure relating to the Union as currently constituted and that reserved for the future acceding countries, including after enlargement.

53. The Inter-Institutional Agreement has worked well as a framework for the annual budget procedures. The approach to negotiating a new agreement should be governed by the principles that an appropriate balance of powers between the institutions should be maintained, that the new agreement should ensure strict budgetary discipline and that it should clearly implement dual programming and entry of pre-accession and accession-related expenditure. The Council should now begin a technical examination of the Commission's proposals with the European Parliament.

54. The European Council notes the Commission's working assumption that the existing Own Resources ceiling will be maintained, but that some Member States have not accepted this. The European Council notes the Commission's undertaking to bring forward to the autumn of 1998 its report on Own Resources, including the question of relative budgetary positions in the light of policy reforms and including all other issues discussed in the European Council in Cardiff. In this context, the European Council notes that some Member States have expressed their view that burden-sharing should be more equitable and have called for the creation of a mechanism for correcting budgetary imbalances, but that some other Member States have opposed this. In the same context, it also notes that some Member States have made proposals for changing the own resources, e.g. by creating a progressive own resource, but that others have opposed this.

55. The European Council attaches importance to the implementation of Trans-European Networks, including the fourteen priority projects. It notes the initial discussions on the changes to the regulation on the financing of Trans-European Networks and invites the Council to reach a common position by December.

56. The European Council stresses the importance of sound financial management and fraud prevention. In particular, it calls on the institutions to ensure that the opportunities provided by policy reform are used to introduce policies and procedures which are as fraud proof as possible and which encourage a high standard of financial management. It also underlines the importance of preparing the enlargement candidates to participate in the Community's finances. In the enlarged Union, at least the present level of protection of the Community's financial interests must be maintained.

### ***Reform of the Common Agricultural Policy***

57. The European Council considers that the Commission's proposals constitute a basis for the continued reform envisaged at its meeting in Luxembourg in December 1997. It welcomes the progress made in the examination of the proposals.

58. In line with the overall timetable for Agenda 2000, the negotiations on key elements of the reform should take into account the need to achieve economically sound solutions and be based on the conclusions agreed by the Agriculture Council on 26 May 1998.

### ***Reform of the Structural and Cohesion Funds***

59. The European Council has taken note of the Council report on the progress made in examining the Commission's proposals for reforming the structural and cohesion funds in the light of experience

and future needs.

### *Timetable*

60. The European Council welcomes the readiness of the European Parliament and the Council to ensure a thorough consideration of the Agenda 2000 proposals in time to achieve their final adoption before the next European Parliamentary elections in June 1999. The Council for its part should now intensify its work. Substantial progress should be made at the Vienna European Council on the key elements of the package so that political agreement can be reached on the package as a whole no later than March 1999.



## **THE FUTURE OF EUROPE**

61. The European Council held a wide-ranging discussion about the future development of the European Union, against the background of the important policy developments during the past year: the Amsterdam Treaty, the launch of EMU and of the enlargement negotiations, economic reform and the Employment Action Plans, the intensified cooperation in the fight against organised crime. It agreed on the following points:

- the first priority is the ratification of the Amsterdam Treaty,
- once the Treaty is ratified, an early decision will be required on how and when to tackle the institutional issues not resolved at Amsterdam,
- the European Council welcomes the Commission's initiative for improving the efficacy and administration of the Commission in the light of the future development of the Union. It notes that the Council is also considering the scope for improvements in its own functioning. It invites the Council and the Commission to report on progress on these issues in the next Presidency,
- there is a need to bring the EU closer to people and to focus it on the issues that matter most to the European citizens - including enhancing democratic legitimacy and making a reality of subsidiarity.

As a first step, the President of the European Council will convene an informal meeting of the Heads of State or Government and the President of the Commission to deepen their discussion and to examine how best to prepare for these issues to be considered at the Vienna European Council with a view to pursuing their discussion on the future of Europe.



## **ENLARGEMENT**

62. Noting that the Luxembourg European Council assessed the candidatures addressed in Agenda 2000 and took the decisions necessary to launch the overall enlargement process, the European Council welcomes the substantial progress made since Luxembourg in preparing for enlargement.

63. The Union's priority is to maintain the enlargement process for the countries covered in the Luxembourg European Council conclusions, within which they can actively pursue their candidatures and make progress towards taking on the obligations of membership, including the Copenhagen criteria. Each

of these candidate countries will be judged on the basis of the same criteria and will proceed in its candidature at its own rate, depending on its degree of preparedness. Much will depend on the efforts made by the candidate countries themselves to meet the criteria. All will benefit from strengthened relations with the EU including through political dialogue and tailored strategies to help them prepare for accession.

64. The European Council welcomes the Commission's confirmation that it will submit at the end of 1998 its first regular reports on each candidate's progress towards accession. In the case of Turkey, reports will be based on Article 28 of the Association Agreement and the conclusions of the Luxembourg European Council.

65. The European Council welcomes the launch of the Accession Process in Brussels on 30 March. It is an evolutionary and inclusive process. A productive further meeting of the Ministers for Justice and Home Affairs of the 15 Members of the European Union with their opposite numbers from the 10 Central and East European applicant states and Cyprus was held on 28-29 May. Further Ministerial meetings will take place as the need arises.

66. The European Council encourages the Commission to pursue rapidly the delivery of assistance within the Accession Partnership framework. Pre-accession aid will be increased substantially. In this context it endorses in general terms the legislative framework proposed by the Commission, and invites the Council to continue its work. The priorities for projects financed by these instruments should reflect the priorities for agriculture and the environment and transport established in the Accession Partnerships. Effective coordination between these instruments and Phare, as well as with operations funded by the EIB, EBRD and other international financial institutions will be essential. The European Council notes that the basis of funding for the countries included in the enlargement process was set out at Luxembourg.

67. Following the opening of accession negotiations on 31 March 1998 with Cyprus, Hungary, Poland, Estonia, the Czech Republic and Slovenia, the European Council notes that the screening exercises for seven chapters of the *acquis* have been completed. It also welcomes the opening of the analytical examination of the *acquis* with Bulgaria, Latvia, Lithuania, Romania and Slovakia.

68. The European Council also welcomes the Commission's communication of 4 March 1998 on taking forward the European Strategy to prepare Turkey for membership. It agrees that, taken as a package, this provides the platform for developing our relationship on a sound and evolutionary basis. The European Council invites the Commission to carry forward this strategy, including the tabling of any proposals necessary for its effective implementation. The Strategy can be enriched over time, taking into account Turkey's own ideas. The European Council further invites the Presidency and the Commission and the appropriate Turkish authorities to pursue the objective of harmonising Turkey's legislation and practice with the *acquis*, and asks the Commission to report to an early Association Council on progress made. Recalling the need for financial support for the European Strategy, the European Council notes the Commission's intention to reflect on ways and means of underpinning the implementation of the European strategy, and to table appropriate proposals to this effect.

69. The European Council welcomes the first meeting of the European Conference held in London on 12 March 1998, and its conclusions. The principles of participation in the Conference and its initial membership were agreed at the meeting of the European Council in Luxembourg.

## VI. EXTERNAL ISSUES

## INTERNATIONAL TRADE

70. The European Council welcomes the outcome of the 1998 WTO Ministerial and the Heads of Government event marking 50 years of the GATT, in Geneva in May. It reaffirms its commitment to the World Trade Organisation and its dispute settlement system, and to further multilateral trade liberalisation which will enhance living standards and global economic growth. It underlines the importance of initiating a comprehensive new round of liberalising negotiations at the third WTO Ministerial Conference towards the end of 1999.

71. The European Council also stresses the importance of the EU's market access strategy as a means of removing trade barriers in third countries.

72. It endorses the Presidency's intention to reach early agreement on the common market organisation on bananas, which includes import arrangements which conform to the Community's international obligations.



## EU/US

73. The European Council took note of the common declaration on the transatlantic economic partnership which was adopted in London during the Transatlantic Summit Meeting on 18 May 1998. The further development of transatlantic relations on a broad basis will continue to be one of the important objectives of the European Union.

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## SOUTH AFRICA

74. On the occasion of President Mandela's presence in Cardiff, the European Council reaffirms the Union's determination to strengthen existing links of friendship and cooperation with South Africa and develop these into new fields.

75. The European Council welcomes the strenuous efforts South Africa is making under its Growth, Employment and Redistribution (GEAR) programme to modernise the South African economy and integrate it into the world trading system. It recognises too the success that has already been achieved in delivering such services as better utilities and basic healthcare to improve the lives of all people in South Africa.

76. The European Council underlines the Union's determination to bring the negotiations on a comprehensive trade, development and cooperation agreement with South Africa to a successful conclusion no later than the autumn of 1998. The European Union should respond in a similar spirit in good time for the next negotiating round to the proposals by South Africa in its recent revised trade offer.

77. The European Council looks forward to the important first meeting at Foreign Minister level in Vienna on 3/4 November of the EU and Members of the Southern African Development Conference.



## RUSSIA

78. The European Council welcomes the substantial progress of economic reform in Russia, which has been recognised by its recent decision to stop classifying Russia as a non-market economy on anti-dumping. It welcomes Russia's new programme of fiscal, monetary and structural policy measures, in particular measures to strengthen the tax administration. Implementation of these steps and other growth-promoting reforms are the most crucial actions Russia can take to build confidence. The European Council continues to back the active engagement of the IMF and the World Bank in support of Russian reforms. It notes that the Member States are ready to consider additional conditional support from these institutions as necessary and appropriate.

79. Recalling its conclusion at Luxembourg, the European Council notes the relevance of the Finnish proposal for a Northern Dimension in the policies of the Union and the Commission's intention to submit a report for consideration at its next meeting in Vienna. It reiterates the commitment of the EU to help Russian efforts to tackle the problem of spent nuclear fuel and nuclear waste in North-West Russia and notes that such work might be taken forward under the proposed Northern Dimension.

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## KOSOVO

80. The European Council agreed the Declaration in Annex II.

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## MIDDLE EAST PEACE PROCESS

81. The European Council reviewed the state of the Middle East Peace Process in the light of the visit to the region by the President of the European Council from 17 to 21 April and the President of the Council from 15 to 18 March, and the continuing contacts with the parties by the Presidency and the Special Envoy.

82. The European Council recalls its previous Declarations, particularly its Call for Peace in the Middle East issued in Amsterdam on 16/17 June 1997, and reaffirms the guidelines for an EU policy aimed at facilitating progress and restoring confidence between the parties, issued in Luxembourg on 12/13 December 1997.

83. The European Council expresses its very grave concern at the continuing lack of progress in the peace process and the threat that this poses to the stability and security of the region. It underlines the need for all concerned to show courage and vision in the search for peace, based on the relevant UN Security Council resolutions and the principles agreed at Madrid and Oslo, including full implementation of existing commitments under the Israeli/Palestinian Interim Agreements and the Hebron Protocol.

84. The European Council stresses that the current opportunity for progress on the Palestinian track must not be lost. It reiterates the European Union's strong support for the efforts of the United States to gain the agreement of the parties to a package of ideas which, if accepted, would open the way to implementation of existing agreements and the re-launch of final status talks. In that context, the European Council calls on Israel to recognise the right of the Palestinians to exercise self-determination, without excluding the option of a State. At the same time, it calls upon the Palestinian people to reaffirm their commitment to the legitimate right of Israel to live within safe, recognised borders.

85. The European Council expresses its grave concern also at the lack of progress on the Syrian and Lebanese tracks and underlined the need for a continuing effort to reinvigorate them in order to achieve a

comprehensive peace based on the principle of land for peace and the relevant UN Security Council resolutions. While welcoming Israeli acceptance of UNSCR 425, the European Council calls for the full and unconditional withdrawal of Israeli forces from Southern Lebanon.

86. The European Council welcomes the European Union's positive role in the Middle East Peace Process, and the efforts of the EU Special Envoy in this respect. This role has included close involvement in the 4/5 May London talks and negotiations on interim economic issues, the conclusion of the Joint Declaration on EU/Palestinian Security Cooperation and intensified exchanges with the parties and the US. It notes recent positive inputs, including the Franco-Egyptian Call for Peace and the proposals made by the Special Envoy, and invited the General Affairs Council to keep them and other possible options under review in the light of developments.

87. The European Council stresses the European Union's desire to continue to do all in its power to support and strengthen the peace process and those striving to carry it forward.

## **INDIA/PAKISTAN NUCLEAR TESTS**

88. The European Council expresses its deep concern over the situation in South Asia. The nuclear tests by India and Pakistan have damaged stability in the region and isolated both countries from the international community's efforts on non-proliferation.

89. The European Council welcomes the Conclusions of the meeting of P5 Foreign Ministers on 4 June, and of G8 Foreign Ministers in London on 12 June, as a positive contribution to the process of encouraging India and Pakistan to address constructively the issues which divide them. The European Council also welcomes the decision by a number of Foreign Ministers on 12 June to establish a Task Force to promote non-proliferation in South Asia. It reaffirms the EU's view that India and Pakistan should take early steps to reduce tension and instability in South Asia, by resuming their political dialogue with each other and with China, and seeking ways to build confidence between them.

90. The European Council calls upon India and Pakistan to adhere to international non-proliferation regimes, by signing the Comprehensive Test Ban Treaty as it stands and actively contributing to negotiations on a Fissile Material Cut-off Treaty. The European Council reiterates that the EU considers the Non-Proliferation Treaty the cornerstone of the international non-proliferation regime and calls upon India and Pakistan and any other countries which have not done so to accede to the Treaty. The European Council notes the reaffirmation by Member States, nuclear weapons states and non-nuclear weapons states alike, of their determination to fulfil the commitments relating to nuclear disarmament under Article VI of the Non Proliferation Treaty. It took note of the recent initiative on this issue by several countries, including Ireland and Sweden.

91. The European Union will consider further measures should India and Pakistan fail to make progress on these issues.



## **INDONESIA/EAST TIMOR**

92. The European Council discussed the situation in Indonesia. It encourages President Habibie to implement his commitment to political and economic reform, and his stated intention to hold early

elections next year and to honour all foreign commitments. Provided a credible economic reform programme is followed, the European Council expresses its continuing support for the economic recovery of Indonesia, with the assistance of the International Financial Institutions. It recognises the economic hardship faced by the people of Indonesia and welcomes the humanitarian assistance being provided both by the European Community and by Member States.

93. The European Council discussed the implications of the present situation in East Timor. It recalls the importance of a just, global and internationally acceptable solution and reaffirms its support for the efforts being made under the auspices of the UN Secretary General to that end. It further calls on Indonesia to respect human rights and fundamental freedoms and calls for the release of all political prisoners, including those from East Timor; and agreed to continue to press for the early release of Xanana Gusmao. The European Council underlines the importance of continuing humanitarian assistance to East Timor in accordance with the EU's common position.

### **ETHIOPIA/ERITREA DISPUTE**

94. The European Council reaffirms its dismay over the hostilities between Ethiopia and Eritrea. In particular, it condemns the bombings of each other's territories, and the needless loss of lives. While welcoming the willingness of both sides to stop air strikes, the European Council urges them both to cease all hostilities and agree upon a formal ceasefire. The European Council calls on both sides to resume negotiations, and underlines the need to settle this dispute by peaceful means. In this respect, the European Union will continue its support for the mediation efforts under way, including those of the US/Rwandan facilitation team, and reiterates its offer to provide any material assistance that could help achieve a negotiated settlement.

### **EURO-MEDITERRANEAN PROCESS**

95. The European Council underlines the importance of the Euro-Mediterranean partnership. It agreed that the success of the ad hoc meeting of Foreign Ministers in Palermo on 3-4 June in developing the partnership had confirmed the vitality of this relationship. The European Council notes that this provided a good basis for a successful third Ministerial Conference in Stuttgart in April 1999.

### **INTERNATIONAL CRIMINAL COURT**

96. The European Council is strongly in favour of the establishment of a universal and effective Criminal Court, and is encouraged by the widespread international support for this proposal and the progress made in the Preparatory Committee. The European Council is determined to achieve a successful outcome to the Diplomatic Conference underway in Rome.

## **VII. NORTHERN IRELAND**

97. The European Council warmly welcomes the historic agreement reached in Belfast on 10 April, and its

decisive endorsement in the subsequent referenda in both parts of the island of Ireland. It notes the generous practical help which the EU has provided over the years; and reaffirms the conclusion of the General Affairs Council that the Union should continue to play an active part in promoting lasting peace and prosperity in Northern Ireland. It notes the Parliament's request to the Council and Commission to consider as a matter of urgency how the Agreement can be supported in practical terms, and the Commission's commitment to go on finding new, creative ways to support the fresh opportunities which the Peace Agreement will bring. It invites the Commission to make proposals accordingly.

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## ANNEX I

### STATEMENT BY EUROPEAN UNION FINANCE MINISTERS

We reviewed prospects for the European economies. We reaffirmed our view that there is increasing evidence of broadly based economic growth and that this will provide the basis for new employment opportunities and greater prosperity. We are determined to provide the conditions for sustained growth by implementing the sound policies set out in the Broad Economic Guidelines. We went on to review recent international economic developments.

We welcome and support the Russian Government's economic reforms, in particular the reforms to strengthen the tax administration and improve tax collection. We are ready to consider further conditional support for Russia as necessary and appropriate. Any such assistance should be provided by the IMF and World Bank, which are the right and proper instruments for that purpose. We intend to support Russia's new 1998 programme at the IMF Board.

We discussed the latest situation in Asia. We noted the data published in Japan on Friday which showed GDP falling by 1.3% in the first quarter of this year. The economic impact of the recently announced fiscal stimulus has still to come through. Further structural reform and the implementation of measures to strengthen the financial system are necessary to restore business and consumer confidence.

We also discussed the latest developments in Indonesia. We welcomed the statements committing the Indonesian government to economic and political reform and stressed the importance of both transparency and its continuing good cooperation with the international financial institutions. We recognised the economic hardship faced by the people of Indonesia and welcomed the humanitarian assistance being provided by the European Community and the Member States individually.

We, as European Union Finance Ministers, will continue to monitor developments closely.

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## ANNEX II

### DECLARATION ON KOSOVO

The European Council condemns in the strongest terms the use of indiscriminate violence by the FRY and

the Serbian security forces to impose the Belgrade Government's political terms. No State which uses brutal military repression against its own citizens can expect to find a place in the modern Europe. President Milosevic bears a heavy personal responsibility.

The crisis constitutes a serious threat to regional stability and requires a strong and united international response. The European Council calls for immediate action from President Milosevic in four areas in particular:

- to stop all operations by the security forces affecting the civilian population and to withdraw security units used for civilian repression;
- to enable effective and continuous international monitoring in Kosovo;
- to facilitate the full return to their homes of refugees and displaced persons and unimpeded access for humanitarian organisations; and
- to make rapid progress in the political dialogue with the Kosovo Albanian leadership.

The European Council stresses the importance of President Milosevic taking advantage of his meeting with President Yeltsin in Moscow on 16 June, which it welcomes, to announce progress on the above steps and to commit Belgrade to their implementation in full.

Unless these four steps are taken without delay, a much stronger response, of a qualitatively different order, will be required from the international community to deal with the increased threat to regional peace and security. The European Council welcomed the acceleration of work in international security organisations on a full range of options, including those which may require an authorisation by the UN Security Council under Chapter VII of the UN Charter.

Given the gravity of the situation, the European Council has agreed to supplement measures already being implemented against the FRY and Serbian Governments by taking steps to impose a ban on flights by Yugoslav carriers between the FRY and EU Member States.

A solution to the problem of Kosovo's status can only be found through a vigorous political process. The European Council calls urgently on both sides to return to the negotiating table, with international involvement, to agree confidence-building measures and to define a new status for Kosovo. The European Union remains firmly opposed to independence. It continues to support a special status, including a large degree of autonomy for Kosovo, within the Federal Republic of Yugoslavia.

If an early reduction of tensions is to be achieved, an immediate cessation of violence will be required as well from the Kosovo Albanian side. While commending the commitment of Dr Rugova to a peaceful solution in Kosovo, the European Council calls on the Kosovo Albanian leadership to state clearly its rejection of violent attacks and acts of terrorism. The European Union will play its part in stopping the flow of money and weapons to Kosovo Albanian armed groups. The European Council calls on neighbouring States, whose security is a vital factor for the European Union, to ensure that their territory is not used in support of Kosovo Albanian armed activity.

The European Union has been concerned from the outset at the human cost of the fighting in Kosovo. The European Council agreed to take a comprehensive approach to solving the refugee problem within the region, based on the right of all the refugees from Kosovo to return to their homes in conditions of security. The European Council pledged to continue close cooperation with UNHCR and ICRC, in the first instance

to provide immediate assistance from the European Community and from Member States to refugees and displaced persons.

Refugee return will require close international monitoring to generate confidence on the part of those returning that the rule of law has been re-established. The European Council decided that the Union would play its full part in an increased international monitoring effort. The European Council urges Belgrade to allow full access for investigations by international forensic experts to clarify the circumstances in which civilians have died. The FRY Government also has an obligation to allow the International Criminal Tribunal for the Former Yugoslavia (ICTY) to investigate thoroughly any possible violation of international humanitarian law in Kosovo.

The European Council expressed its full support for Felipe Gonzalez as its Special Representative to the FRY and called on President Milosevic to receive him as soon as possible in order to discuss the full range of the FRY's relations with the EU, including the democratisation of the FRY. The European Council also supported the early return of the long-term OSCE missions. The European Council warmly welcomed the outcome of the Parliamentary elections in Montenegro as an endorsement of the reform process pursued by Djukanovic and agreed to continue EU support.

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### ANNEX III

#### DOCUMENTS SUBMITTED TO THE CARDIFF EUROPEAN COUNCIL

- Report to the European Council containing the Draft for the Broad Guidelines of the Economic Policies of the Member States and the Community  
(9349/98)
- Commission's Recommendation for the Broad Guidelines of the Economic Policies of the Member States and the Community  
(8168/98)
- Presidency note on Employment for the Cardiff European Council  
(9380/98)
- From Guidelines to action: The National Action Plans for Employment - Commission evaluation  
(8611/98)
- Opinion of the Employment and Labour Market Committee on the 1998 National Employment Action Plans  
(8733/98 + ADD 1)
- Economic Policy Committee Opinion on the National Employment Action Plans  
(8604/98)
- Commission communication on Community Policies in Support of Employment  
(9343/98)

- Commission report "Legislate Less to Act Better: The Facts"  
(9319/98)
- Commission communication on Risk Capital - A key for job creation in the European Union  
(9476/98)
- Interim report from the High Level Expert Group on the Economic and Social Implications of Industrial Change  
(9424/98)
- Report from the Competitiveness Advisory Group on capital markets for competitiveness  
(9425/98)
- Report of the Business Environment Simplification Task Force (BEST)  
(9426/98)
- Agenda 2000 progress report to the European Council (Part One - Introductory summary)  
(9000/98)
- Agenda 2000 Council progress report to the European Council (Part Two - Analysis of progress on the main issues)  
(9000/98 ADD 1)
- ECOFIN Council conclusions on Agenda 2000  
(9325/98)
- Council report to the European Council on activities on drugs and drugs related issues under the UK Presidency, including key elements of a post-1999 EU drugs strategy  
(7930/2/98 REV 2)
- Presidency progress report on organised crime to the European Council  
(7303/4/98 REV 4)
- Commission communication to the European Council entitled Partnership for Integration: A Strategy for Integrating Environment into EU Policies  
(9336/98)
- Report from the European Council to the European Parliament on the progress achieved by the European Union in 1997  
(8690/1/98 REV 1)

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