

THE EUROPEAN COUNCIL

**MADRID
15-16 DECEMBER 1995**

Documents in the dossier include:

Madrid European Council

Reproduced from the Bulletin of the European Communities, No. 12/1995

I — Madrid European Council.

Madrid, 15 and 16 December

1.1. Chaired by Mr González, President of the European Council and Prime Minister of Spain, the summit of Heads of State or Government of the Member States took place in Madrid in the presence of Mr Santer, Mr Van den Broek and Mr de Silguy, for the Commission. It was preceded by an exchange of views with Mr Hänsch, President of Parliament, and followed by a meeting with the Heads of State or Government and Foreign Ministers of the associated countries of Central and Eastern Europe, including the Baltic States, and Cyprus and Malta.

Conclusions of the Presidency

PART A

Introduction

1.2. The European Council, meeting in Madrid on 15 and 16 December 1995, took decisions on employment, the single currency, the Intergovernmental Conference and enlargement to bring in countries of Central and Eastern Europe and the Mediterranean.

The European Council considers that job creation is the principal social, economic and political objective of the European Union and its Member States, and declares its firm resolve to continue to make every effort to reduce unemployment.

The European Council adopted the scenario for the changeover to the single currency, confirming unequivocally that stage three of economic and monetary union will commence on 1 January 1999.

The European Council decided to name the currency, to be used from 1 January 1999, the 'Euro'.

The European Council continued its deliberation on the future of Europe, which was launched in Essen and continued in Cannes and Formentor.

In this connection, having welcomed the Reflection Group's report, the European Council decided to launch the Intergovernmental Conference on 29 March 1996 in order to establish the political and institutional conditions for adapting the European Union to present and future needs, particularly with a view to the next enlargement.

It is essential that the Conference achieve results sufficient to enable the Union to bring added value to all its citizens and to shoulder its responsibilities adequately, both internally and externally.

The European Council notes with satisfaction some significant achievements in the area of external relations which have occurred since its last meeting and in which the European Union has played a decisive role:

- the signing in Paris of the Dayton Agreement, which puts an end to the terrible war in former Yugoslavia and builds on considerable European efforts over the preceding months in military, humanitarian and negotiating terms; the European Council recognizes the decisive contribution made by the United States at a crucial moment;
- the new transatlantic agenda and the joint EU-US action plan signed at the Madrid summit on 3 December 1995, which are major joint commitments with the United States to revitalize and strengthen our association;
- the signing in Madrid of the interregional framework agreement between the European Union and Mercosur, the first agreement of this type to be concluded by the European Union;
- the Barcelona Declaration, launching a new, comprehensive Euro-Mediterranean association which will promote peace, stability and prosperity throughout the Mediterranean through a permanent process of dialogue and cooperation;
- the signing in Mauritius of the revised Lomé IV Convention by the European Union and the ACP States, which will consolidate the association between the two sides;
- the European Parliament's assent to the customs union between the European Union and Turkey, which opens the way for the consolidation and strengthening of a political, economic and security relationship crucial to the stability of that region.

The European Council began its proceedings by exchanging ideas with Mr Klaus Hänsch, President of the European Parliament, on the main subjects for discussion at this meeting.

Finally, a meeting took place today between the Heads of State or Government and the Ministers for Foreign Affairs of the associated countries of Central and Eastern Europe, including the Baltic States (CCEE), as well as Cyprus and Malta. There was a broad exchange of views on these conclusions, matters concerning the pre-accession strategy and various issues relating to international policies.

I — The economic revitalization of Europe in a socially integrated framework

A. Economic and monetary union

References: Commission Green Paper on the practical arrangements for the introduction of the single currency: COM(95) 333; Bull. 5-1995, point 1.3.7

Conclusions of the Cannes European Council: Bull. 6-1995, point I.11

Statement by Mr de Silguy on behalf of the Commission on the European Monetary Institute's report on the scenario for the introduction of the single currency: Bull. 11-1995, point 1.3.6

I. The scenario for the changeover to the single currency

1.3. 1. The European Council confirms that 1 January 1999 will be the starting date for stage three of economic and monetary union, in accordance with the convergence criteria, timetable, protocols and procedures laid down in the Treaty.

The European Council confirms that a high degree of economic convergence is a precondition for the Treaty objective to create a stable single currency.

2. The name of the new currency is an important element in the preparation of the transition to the single currency, since it partly determines the public acceptability of economic and monetary union. The European Council considers that the name of the single currency must be the same in all the official languages of the European Union, taking into account the existence of different alphabets; it must be simple and symbolize Europe.

The European Council therefore decides that, as of the start of stage three, the name given to the European currency shall be Euro. This name is meant as a full name, not as a prefix to be attached to the national currency names.

The specific name Euro will be used instead of the generic term 'ecu' used by the Treaty to refer to the European currency unit.

The Governments of the 15 Member States have achieved the common agreement that this decision is

the agreed and definitive interpretation of the relevant Treaty provisions.

3. As a decisive step in the clarification of the process of introduction of the single currency, the European Council adopts the changeover scenario attached in Annex 1, which is based on the scenario elaborated at its request by the Council, in consultation with the Commission and the European Monetary Institute. It notes with satisfaction that the scenario is fully compatible with the EMI report on the changeover.

4. The scenario provides for transparency and acceptability, strengthens credibility and underlines the irreversibility of the process. It is technically feasible and aims to provide for the necessary legal certainty, to minimize adjustment costs and to avoid competitive distortions. Under the scenario, the Council, in the composition of Heads of State or Government, will confirm as early as possible in 1998 which Member States fulfil the necessary conditions for the adoption of the single currency. The European Central Bank (ECB) will have to be created early enough so as to allow preparations to be completed and full operation to start on 1 January 1999.

5. Stage three will begin on 1 January 1999 with the irrevocable fixing of conversion rates among the currencies of participating countries and against the Euro. From that date, monetary policy and the foreign exchange rate policy will be conducted in Euro, the use of the Euro will be encouraged in foreign exchange markets and new tradeable public debt will be issued in Euro by the participating Member States.

6. A Council Regulation, whose technical preparatory work shall be completed at the latest by the end of 1996, will enter into force on 1 January 1999 and provide the legal framework for the use of the Euro, which, from this date, will become a currency in its own right, and the official ecu basket will cease to exist. This Regulation will establish, as long as different monetary units still exist, a legally enforceable equivalence between the Euro and the national units. The substitution of the Euro for national currencies should not of itself alter the continuity of contracts, unless otherwise provided in the contract. In the case of contracts denominated by reference to the official ecu basket of the European Community, in accordance with the Treaty, substitution by the Euro will be at the rate of one to one, unless otherwise provided in the contract.

7. By 1 January 2002 at the latest, Euro banknotes and coins will start to circulate alongside national notes and coins. At most six months later, the national currencies will have been completely replaced by the Euro in all participating Member States and the changeover will be complete. Thereafter, national banknotes and coins may still be exchanged at the national central banks.

8. The European Council calls on the Ecofin Council to speed up all the additional technical work necessary

to implement the changeover scenario adopted today. The labelling of Euro banknotes and coins in the different alphabets of the Union will also be defined.

II. Further preparation of stage three of EMU

Durable economic convergence

1.4. Budgetary discipline is of crucial significance both for the success of the economic and monetary union and for the acceptance of the single currency by the public. It is therefore necessary to ensure that, after moving to stage three, public finances are kept on a sound track in line with Treaty obligations.

The European Council notes with interest the Commission's intention to present in 1996 its conclusions on ways to ensure budgetary discipline and coordination in the monetary union in accordance with the procedures and principles of the Treaty.

The relationship between Member States participating in the Euro area and non-participating Member States

1.5. The future relationships between Member States participating in the Euro area and non-participating Member States will have to be defined prior to the move to stage three.

The European Council requests that the Ecofin Council together with, in their respective fields of competence, the Commission and the EMI study the range of issues raised by the fact that some countries may not initially participate in the Euro area. The study should in particular, but not exclusively, cover those issues related to monetary instability.

Work ahead

1.6. The European Council requests the Ecofin Council to report on the two foregoing questions as soon as possible.

Work on both questions should respect the Treaty requirement that Member States entering the Euro area after 1999 should be able to do so on the same terms and conditions as those applied in 1998 to the initial participating Member States.

B. Broad economic policy guidelines

Reference: Council recommendation 95/326/EC on the broad guidelines of the economic policies of the Member States and the Community: OJ L 191, 12.8.1995; Bull. 7/8-1995, point 1.3.6

1.7. The European Council reiterates the need to maintain a high degree of convergence between Member

States' economies on a durable basis, in order both to create stable conditions for changing over to the single currency and to secure smooth functioning of the internal market. In that connection, it approved the Council report on the implementation of the broad economic policy guidelines adopted in July 1995.

C. Employment

References:

Conclusions of the Essen European Council: Bull. 12-1994, point I.3

Conclusions of the Cannes European Council: Bull. 6-1995, points I.4 to I.10

Commission report on employment in Europe (1995): COM(95) 396; Bull. 7/8-1995, point 1.3.177

Commission communication on trends and developments in employment systems in the European Union: COM(95) 465; Bull. 10-1995, point 1.3.211

Parliament resolution on the Commission's annual report on employment: OJ C 339, 18.12.1995; Bull. 11-1995, point 1.3.183

Joint Council and Commission report to the European Council on employment: point 1.3.198 of this Bulletin

Agreement between the social partners on reconciling work and family life: point 1.3.203 of this Bulletin

1.8. 1. The European Council reaffirms that the fight against unemployment and for equal opportunities is the priority task of the Community and its Member States.

The medium-term strategy outlined in Essen and confirmed at Cannes provides the appropriate framework for developing the measures agreed. These measures have already begun to apply in the Member States with generally positive results, thanks mainly to an appropriate combination of structural measures and policies favouring sustained economic growth.

The European Council welcomes the Commission's interim report and assessment of the mutually beneficial effects of greater coordination of the Union's economic and structural policies. It requests the Commission to submit its final report at the European Council meeting in December 1996.

2. The European Council is pleased with the way in which the procedure for monitoring employment provided for in Essen, based on a strategy of cooperation between all those involved in this common endeavour, has been formulated and put into practice for the first time:

□ the Member States have translated the Essen recommendations into multiannual employment programmes incorporating innovative measures which have already started to bear fruit and which are the ap-

appropriate instrument for transposing the recommendations to be adopted by the Council in the socio-economic area;

□ the job-creation strategy in the European Union will receive a new impetus with the approval by the European Council of the joint report submitted by the Council (Ecofin and Labour and Social Affairs) and the Commission (Annex 2); for the first time a convergence of views has been achieved on the approach to be followed to ensure that the current economic recovery is accompanied by a more thoroughgoing improvement in the employment situation.

The approval of that report fulfils the Essen instructions on monitoring employment and consolidates the employment policies agreed at previous European Council meetings. With the cooperation of all parties involved, new steps are being taken not only towards identifying the obstacles in the way of reducing unemployment but above all in connection with the macro-economic and structural aspects which substantially favour the creation of new jobs.

□ It welcomes the fact that, in their Declaration from the social dialogue summit in Florence, the social partners at European level arrived at a common criterion for measures to promote employment; similarly, it is pleased to note the broad degree of convergence between this agreement by the social partners and the criteria in the single report;

□ within this same line of involvement of the various players and institutions operating within the European Union, the European Council has examined with great interest the European Parliament resolution on employment, observing here too the broad convergence between that resolution and the single report.

3. On the basis of the recommendations in the single report, the European Council urges Member States to regard as priorities the following spheres of action in their multiannual employment programmes:

□ stepping up training programmes, especially for the unemployed;

□ rendering business strategies more flexible in areas such as the organization of work and of working time;

□ ensuring a pattern of non-wage labour costs appropriate to unemployment-reducing objectives;

□ continuing the current wage restraint by linking it to productivity, as an essential element in promoting intensive use of manpower;

□ obtaining the maximum level of efficiency in social protection systems so that, while maintaining where possible the level attained, they never act as a disincentive to seeking work;

□ pressing for greater conversion of passive policies to protect the unemployed into active job-creation measures;

□ substantially improving the machinery for information between those providing and those seeking employment;

□ promoting local employment initiatives.

The above measures will be applied with particular emphasis on those categories requiring special attention, such as young people seeking their first job, the long-term unemployed and unemployed women.

As regards measures on wage restraint, it recalls that such action falls within the social partners' own sphere. The development of social security contributions points to the need to act within a margin for manoeuvre which will preserve the financial stability of social protection systems.

The degree of application of the multiannual employment programmes and the recommendations adopted in Madrid will have to be reviewed at the European Council meeting in December 1996, with the aim of reinforcing the employment strategy and adopting further recommendations.

4. The European Council reiterates the need to ensure economic growth which generates more employment and urges Member States to persevere with policies in line with the broad economic policy guidelines, backing them up with the structural reforms already initiated or awaiting application, with the aim of eliminating existing rigidities and achieving better operation of labour markets in the goods and service sectors.

Maximum advantage must be taken of the opportunity offered by the current phase of economic expansion to achieve additional progress in the structural reforms required.

5. The European Council emphasizes lastly the important job-creation role played by internal policies, especially the internal market, environment policy, SMEs and the trans-European networks.

6. Members of the European Council that participate in the Agreement annexed to the Social Protocol to the Treaty note with satisfaction that for the first time an agreement has been reached with the social partners in the framework of that Agreement, in connection with the draft Directive on combining working and family life (parental leave). They hope this agreement will open the way for subsequent agreements in other important social and employment areas.

7. Lastly, in order to ensure the continued success of this strategy, it requests the Council (Ecofin and Labour and Social Affairs) and the Commission to monitor the application of those programmes continuously and to submit a further joint annual report for its meeting in December 1996. So as to facilitate practical application of the employment monitoring procedure decided on in Essen, it is necessary to establish as soon as possible the mechanisms envisaged in the joint report (stable structure and common indicators). The European Council reaffirms its determination to continue to give the objective of job creation maximum priority in the European Union in the years to come.

D. Other policies

Internal market

References:

Conclusions of the Essen European Council: Bull. 12-1994, points I.6, I.35 and I.36

Conclusions of the Cannes European Council: Bull. 6-1995, points I.7 and I.10

Commission progress report on the trans-European networks: COM(95) 571; Bull. 11-1995, point 1.3.102

Commission report to the European Council *The single market in 1995*: point 1.3.10 of this Bulletin

Parliament and Council Decision establishing a procedure for the exchange of information on national measures derogating from the principle of the free movement of goods within the Community: point 1.3.11 of this Bulletin

Second report of the Competitiveness Advisory Group: point 1.3.1 of this Bulletin

I.9. The European Council takes note of the Commission report on the internal market and welcomes the agreements reached on a significant number of proposals and the adoption of a new procedure for notifying national measures which could hinder the free movement of goods, thus ensuring effective application of the principle of mutual recognition.

The European Council took note of the Ciampi report on competitiveness and instructed the Council to examine it.

The internal market must benefit its citizens and integrate them to the full, through the application of the Treaty provisions on freedom of movement, better protection for consumers, an improvement in the social dimension and the development of mechanisms to inform citizens of the advantages they can obtain from the internal market and to gain a better understanding of their needs.

The European Council stresses the importance of completing the establishment of the internal market by introducing greater competition in many sectors in order to improve competitiveness with a view to job creation. In this connection, the European Council reaffirms its 1995 Cannes conclusions regarding the need to make that objective compatible with the performance of tasks of general economic interest specific to the public services. In particular, it is necessary to ensure equal treatment for citizens, uphold requirements as to quality and continuity of services, and contribute to balanced regional development.

The European Council confirms that trans-European networks can make an essential contribution to competitiveness, job creation and the cohesion of the Union. It takes note with satisfaction of the Commis-

sion report and of progress recently achieved in this area. It calls upon the Council and the Parliament to complete the legislative framework rapidly and upon Member States to give top priority to the effective implementation of projects and, in particular, those identified by the European Council as being of special importance. The European Council requests the Ecofin Council to adopt, on a proposal from the Commission, the necessary decisions to complement the financial resources currently available for the trans-European networks.

Small and medium-sized businesses

Reference: Commission report to the Council and the European Council on the role of SMEs as a dynamic source of employment, growth and competitiveness in the European Union: Bull. 11-1995, point 1.3.66

I.10. The European Council took note of the Commission report on the role played by SMEs as a source of jobs, growth and competitiveness, which points in particular to the need to:

- simplify administrative formalities;
- ensure better access to information, training and research;
- remove obstacles affecting SMEs within the internal market and promote their internationalization;
- improve the financial environment for them by means of better access to capital markets and encourage development of the European Investment Fund function with regard to SMEs.

The European Council urges the Commission to put these aims into practice as swiftly as possible in the framework of the next integrated programme for SMEs.

Environment

References:

Third conference of the parties to the Basle Convention: Bull. 9-1995, point 1.3.87

Third Pan-European Conference of Environment Ministers: Bull. 10-1995, point 1.3.165

Second conference of the parties to the Convention on Biological Diversity: Bull. 11-1995, point 1.3.148

Seventh conference of the contracting parties to the Montreal Protocol: point 1.3.147 of this Bulletin

Council conclusions on a European Community water policy: point 1.3.135 of this Bulletin

I.11. The European Council welcomes the clear and decisive role the Union has been playing internationally in defence of the environment, especially in the control of transboundary movements of hazardous

wastes and their disposal (Basle Convention), biological diversity, substances that deplete the ozone layer (Montreal Protocol) and other subjects dealt with at the Third Pan-European Conference of Environment Ministers.

The European Council notes with satisfaction the important agreements reached in the context of that policy and the debate on a new integrated approach centring not only on the quality of water but also on its scarcity as a limited economic and environmental resource.

Agriculture

References:

Council Regulation on the common organization of the market in rice: point 1.3.154 of this Bulletin

Proposals for Council Regulations on the common organization of the markets in fresh and processed fruit and vegetables: point 1.3.157 of this Bulletin

I.12. The European Council welcomes the progress of work on the reforms of the common market organizations (CMOs). It urges the Council to ensure that the common organization of the market in rice is adopted before the end of the year and the common organization of the market in wine as soon as possible. It asks the European Parliament to deliver its Opinion on the proposed reform of the common organization of the market in fruit and vegetables with a view to its adoption at the earliest opportunity.

Fisheries

Reference: Conclusions of the Essen European Council: Bull. 12-1994, point I.9

I.13. The European Council notes that Council proceedings have resulted in full compliance with the instructions given by the European Council at Essen, leading to full integration of Spain and Portugal into the common fisheries policy.

II — A citizen-friendly Europe

A. Subsidiarity

References:

Conclusions of the Birmingham European Council: Bull. 10-1992, point I.8

Conclusions of the Edinburgh European Council: Bull. 12-1992, points I.4 and I.15 to I.23

Conclusions of the Brussels European Council: Bull. 12-1993, point I.14

Commission report to the European Council on the application of the subsidiarity and proportionality principles, on simplification and on consolidation (*Better law-making*): Bull. 11-1995, point 1.9.2

I.14. The European Council held an exchange of views on the application of the principle of subsidiarity as set out in the Treaty. It confirmed the guidelines established at its meetings in Birmingham and Edinburgh, which should inform Union action.

The European Council took note of the second annual report from the Commission on the application of the subsidiarity and proportionality principles, and is pleased that the 1993 programme on the adaptation of existing legislation to the principle of subsidiarity is practically finalized.

It requested the Commission to report to the European Council at its meeting in Florence on the application of the principles of subsidiarity and proportionality to current EC legislation and to proposals under consideration.

B. Policies close to the citizen

References:

Commission report on the state of health in the European Union: COM(95) 357; Bull. 7/8-1995, point 1.3.193

World Conference on Women (Beijing): Bull. 9-1995, point 1.3.122

Proposal for a Directive amending Directive 89/552/EEC on the coordination of certain provisions laid down by law, regulation or administrative action in the Member States concerning the pursuit of television broadcasting activities: OJ C 185, 19.7.1995; COM(95) 86; Bull. 5-1995, point 1.3.139; Bull. 9-1995, point 1.3.138

Proposal for a Parliament and Council Decision establishing a Community action programme in the field of cultural heritage (Raphael): COM (95) 110; Bull. 3-1995, point 1.3.156; Bull. 10-1995, point 1.3.233

Council code of conduct on public access to the minutes and statements in the minutes of the Council acting as legislator: Bull. 10-1995, point 1.9.1

Decision 95/553/EE of the Representatives of the Governments of the Member States, meeting within the Council, regarding, respectively, protection for citizens of the European Union by diplomatic and consular representations and measures implementing Decision 95/553/EC: OJ L 314, 28.12.1995; point 1.1.2 of this Bulletin

Council Decision on the fourth medium-term Community action programme on equal opportunities for women and men (1996-2000): point 1.3.205 of this Bulletin

Proposal for a Parliament and Council Decision adopting a Community action programme of

health promotion, information, education and training: point 1.3.209 of this Bulletin

Proposal for a Parliament and Council Decision adopting an action plan against cancer: point 1.3.210 of this Bulletin

Proposal for a Parliament and Council Decision adopting a Community action programme concerning the prevention of AIDS and certain other communicable diseases: point 1.3.211 of this Bulletin

1.15. The European Council urges progress in the fight against social exclusion in its various forms, taking the view that solidarity is an essential factor for integration and the attainment of common objectives within the European Union.

The European Council takes note of the approval of the fourth programme on equal rights and opportunities for women and men and wishes to continue action in favour of women with a view to achieving fully equal treatment. For the same purpose, the European Union will also monitor annually the action platform which emerged from the Beijing Conference.

The European Council reaffirms the importance of cultural action as a way of fostering a Community dimension in the cultures of all the Member States of the Union. The European Council stresses its interest in arriving shortly at a viable agreement on the Raphael programme regarding cultural heritage of European significance.

The European Council welcomes the renewal of the MEDIA programme and also the decisive progress achieved in the Council on the proposal to amend the Directive on television without frontiers, which will, it hopes, be adopted as soon as the necessary conditions obtain.

The European Council notes the work done on the protection of public health and urges adoption of the programmes to combat cancer and to combat AIDS and the programme of action on health education and training.

The European Council notes the major report on the state of health in the European Union and trusts that the European Parliament and the Council will be able to adopt the programme of action on health monitoring and inspection as soon as possible.

The European Council expresses satisfaction at the progress made in achieving greater transparency in Council proceedings, through the approval of a code of conduct to facilitate public access to Council minutes and statements when the Council acts as legislator, and at the growing number of debates which have been broadcast to the public.

The European Council welcomes the adoption of two Decisions on consular protection, which will give citizens of the Union access to all the Member States'

consulates in third countries, in compliance with Article 8c of the Treaty.

C. Justice and home affairs

References:

Council Joint Action 95/73/JHA concerning the Europol Drugs Unit: OJ L 62, 20.3.1995; Bull. 3-1995, point 1.5.4

Convention on the simplified extradition procedure: OJ C 78, 30.3.1995; Bull. 3-1995, point 1.5.5

Europol Convention: OJ C 316 du 27.11.1995; Bull. 7/8-1995, point 1.5.2

Convention on the protection of the Communities' financial interests: OJ C 316, 27.11.1995; Bull. 7/8-1995, point 1.5.3

Convention on the customs information system: OJ C 316, 27.11.1995; Bull. 7/8-1995, point 1.5.4

Council resolution on the burden-sharing with regard to the admission and residence of displaced persons on a temporary basis: OJ C 262, 7.10.1995; Bull. 9-1995, point 1.5.6

Council joint position concerning the harmonized application of the definition of the term 'refugee' in Article 1 of the Geneva Convention: Bull. 11-1995, point 1.5.2

Council conclusions on an alert and emergency procedure for burden-sharing with regard to the admission and residence of displaced persons on a temporary basis: Bull. 11-1995, point 1.5.3

Draft Convention on Insolvency Proceedings: Bull. 11-1995, point 1.5.13

Commission communication on racism, xenophobia and anti-semitism: point 1.2.1 of this Bulletin

Conclusions of the Council and the Representatives of the Governments of the Member States on readmission clauses in mixed agreements and in Community agreements: Bull. 11-1995, point 1.5.9; point 1.5.3 of this Bulletin

Conference on drugs policy in Europe: point 1.5.9 of this Bulletin

Agreements between the Community and Bolivia, Colombia, Ecuador, Peru and Venezuela on drug precursors and chemical substances: point 1.5.10 of this Bulletin

1.16. The European Council took note of the report on activities carried out in 1995 in the field of justice and home affairs, which describes a very wide range of activities, among them the conclusion of four Conventions and the establishment of the Europol Drugs Unit.

It is the European Council's ambition that the Union can create an area of freedom and security for its citizens and it requests that, with a view to extending cooperation in these areas, future activities be focused on programmed priority areas, including Europol, over a number of Presidencies, particularly in relation to:

1. Terrorism

1.17. The European Council notes with great satisfaction the Council's approval of the La Gomera Declaration on terrorism (Annex 3) as evidence of the Union's firm resolve to reinforce collaboration in the fight against terrorism, one of the priority objectives of cooperation in justice and home affairs. It urges the Council to give expression to such cooperation in the form of effective practical measures.

2. Drugs and organized crime

1.18. The European Council approves the report of the Group of Experts on Drugs and stresses the urgency of translating the guidelines it contains into precise, coordinated operational activities within the Union.

The European Council invites the incoming Italian Presidency, in collaboration with the future Irish Presidency and after consultation of the Member States, the Commission, the Europol Drugs Unit and the European Monitoring Centre for Drugs and Drug Addiction, to prepare a programme of activities which takes account of the guidelines in that report. The European Council will examine progress in the application of that report in December 1996.

In this connection, the European Council considers it a matter of priority to establish a mechanism for cooperation between the European Union and Latin America, including the Caribbean, to combat drugs. It considers that the international strategy for combating drug abuse and unlawful trafficking in drugs must be based on a comprehensive, coordinated approach designed to reduce drug supply and demand through bilateral cooperation between both regions. It welcomes the Franco-British initiative on the Caribbean, which proposes regional action to combat trafficking in narcotics and which is also included in action under the transatlantic agenda.

The European Council calls upon the Council and the Commission to prepare a report and the requisite proposals for action in both areas by April 1996. An *ad hoc* working party on drugs will be set up for the purpose.

The European Council is pleased that an Agreement on precursors will be signed in Madrid on 18 December 1995 between the Community and the five countries of the Andean Pact, an important step forward in this strategy. In that connection, it supports the maintenance of preferences for the Andean countries and Central America as part of the special arrangements for combating drugs in the generalized scheme of preferences.

The European Council also expresses satisfaction at the Conference on drugs held in Brussels on 7 and 8 December 1995.

The European Council takes note of the proceedings on organized crime and urges the Council to adopt the

necessary operational measures to combat this threat to all the Member States.

The European Council calls upon the Council and the Commission to consider the extent to which harmonization of Member States' laws could contribute to a reduction in the consumption of drugs and unlawful trafficking in them.

3. Judicial cooperation

1.19. The European Council considers that priority should be given to extradition and mutual judicial assistance in criminal matters and to the extension of the Brussels Convention and document transmission in civil matters. It notes with satisfaction the signing of the Convention on Insolvency Proceedings.

4. Immigration and asylum

1.20. The European Council expresses satisfaction at the results achieved regarding third-country nationals residing illegally in the Union, readmission agreements and combating illegal immigration and illegal employment, and urges the Council to continue proceedings in this area.

The European Council also expresses satisfaction at the approval of the resolution on burden-sharing with regard to the admission of displaced persons, and the decision on an alert and emergency procedure for burden-sharing.

The European Council takes note of the common position aimed at harmonized application of the definition of the term 'refugee' within the meaning of Article 1 of the Geneva Convention and calls for ratification of the Dublin Convention to be completed.

5. External frontiers

1.21. The European Council urges the Council to settle as soon as possible the issues outstanding with regard to the adoption of the Convention on persons crossing the external frontiers of the Member States of the European Union and welcomes the results achieved on visas.

6. Racism and xenophobia

1.22. The European Council took note of the results obtained on defining strategies to combat racism and xenophobia (Annex 4); it urges adoption of the Joint Action concerning action to combat racism and xenophobia with the aim of approximating Member States' laws and enhancing the opportunities for judicial assistance between the Member States in this area.

The European Council took note of the interim report from the Consultative Commission and instructs it to

