

Luxembourg European Council (12 and 13 December 1997)

Presidency Conclusions

Introduction

The European Council meeting in Luxembourg on 12 and 13 December 1997 marks a moment of historic significance for the future of the Union and of Europe as a whole. With the launch of the enlargement process we see the dawn of a new era, finally putting an end to the divisions of the past. Extending the European integration model to encompass the whole of the continent is a pledge of future stability and prosperity.

At the same time as launching the enlargement process, the European Council has embarked upon a comprehensive study of the development of the Union and its policies so that it can make a fitting response to the challenges coming up after the year 2000. The Union will thus have a clear and coherent vision with which to take on the next century and face up to enlargement.

The European Council adopted a Resolution on economic policy coordination which will complete preparations for the third stage of Economic and Monetary Union. It was also pleased to note that the arrangements for Union action on employment are now in place.

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The European Council began its proceedings by an exchange of views with Mr José María GIL-ROBLES, President of the European Parliament, on the main subjects for discussion.

A meeting was also held with the Heads of State and Government and the Ministers for Foreign Affairs of the associated countries of Central and Eastern Europe and Cyprus. The meeting was devoted to the launch of the overall process for enlargement of the Union.

European Union enlargement

1. The Luxembourg European Council has taken the decisions necessary to launch the overall enlargement process.
2. The task in the years ahead will be to prepare the applicant States for accession to the Union and to see that the Union is properly prepared for enlargement. This enlargement is a comprehensive, inclusive and ongoing process, which will take place in stages; each of the applicant States will proceed at its own rate, depending on its degree of preparedness.
3. As a prerequisite for enlargement of the Union, the operation of the institutions must be strengthened and improved in keeping with the institutional provisions of the Amsterdam Treaty.

The European Conference

4. The European Council decided to set up a European Conference which will bring together the Member States of the European Union and the European States aspiring to accede to it and sharing its values and internal and external objectives.
5. The members of the Conference must share a common commitment to peace, security and good neighbourliness, respect for other countries' sovereignty, the principles upon which the European Union is founded, the integrity and inviolability of external borders and the principles of international law and a commitment to the settlement of territorial disputes by peaceful means, in particular through the jurisdiction of the International Court of Justice in the Hague. Countries which endorse these principles and respect the right of any European country fulfilling the required criteria to accede to the European Union and sharing the Union's commitment to building a Europe free of the divisions and difficulties of the past will be invited to take part in the Conference.
6. The States which accept these criteria and subscribe to the above principles will be invited to take part in the Conference. Initially, the EU offer will be addressed to Cyprus, the applicant States of Central and Eastern Europe and Turkey.
7. The European Conference will be a multilateral forum for political consultation, intended to address questions of general concern to the participants and to broaden and deepen their

cooperation on foreign and security policy, justice and home affairs, and other areas of common concern, particularly economic matters and regional cooperation.

8. The Conference will be chaired by the State holding the Presidency of the Council of the European Union. At the Presidency's invitation, Heads of State and Government and the President of the Commission will meet at the Conference once a year, as will the Ministers for Foreign Affairs.

9. The first meeting of the Conference will be in London in March 1998.

The process of accession and negotiation

10. The European Council has considered the current situation in each of the eleven applicant States on the basis of the Commission's opinions and the Presidency's report to the Council. In the light of its discussions, it has decided to launch an accession process comprising the ten Central and East European applicant States and Cyprus. This accession process will form part of the implementation of Article 0 of the Treaty on European Union. The European Council points out that all these States are destined to join the European Union on the basis of the same criteria and that they are participating in the accession process on an equal footing. This process, which will be evolutive and inclusive, will comprise the following elements.

a. The framework

11. The accession process will be launched on 30 March 1998 by a meeting of the Ministers for Foreign Affairs of the fifteen Member States of the European Union, the ten Central and East European applicant States and Cyprus. A single framework for these applicant countries will be established.

12. The Ministers for Foreign Affairs of the fifteen members of the European Union will meet their opposite numbers from the ten Central and East European applicant States and Cyprus as the need arises. Technical ministerial meetings could also be envisaged, bearing in mind experience with the structured dialogue.

b. The enhanced pre-accession strategy

13. The enhanced pre-accession strategy is intended to enable all the applicant States of Central and Eastern Europe eventually to become members of the European Union and, to that end, to align themselves as far as possible on the Union acquis prior to accession. With the Europe Agreements, which remain the basis of the Union's relations with these States, the strategy centres on accession partnerships and increased pre-accession aid. It will be accompanied by an analytical study of the Union acquis for each applicant State taken individually.

(i) Accession partnerships

14. Accession partnership is a new instrument, the key feature of the enhanced pre-accession strategy; it will mobilize all forms of assistance to the applicant countries of Central and Eastern Europe within a single framework.

15. This single framework will cover in detail for each applicant the priorities to be observed in adopting the Union acquis and also the financial resources available for that purpose, in particular the PHARE programme. In that context financial assistance would be linked to the applicants' progress and, more specifically, to compliance with the programme for adoption of the acquis.

16. The Council will decide unanimously on the establishment of the partnerships as the key element in the pre-accession strategy. On that basis it will then decide, by a qualified majority and by 15 March 1998 at the latest, on the principles, priorities, intermediate objectives, significant adjustments and conditions applicable to each individual partnership. When an element essential to the continuation of pre-accession assistance is missing in an applicant State, the Council will take appropriate measures by the same procedure.

(ii) Increased pre-accession aid

17. Pre-accession aid will be increased substantially; alongside the PHARE programme, which will already have been refocused on accession priorities, it will, as from the year 2000, comprise aid for agriculture and a structural instrument which will give priority to measures similar to those of the Cohesion Fund.

Financial support to the countries involved in the enlargement process will be based on the principle of equal treatment, independently of time of accession, with particular attention being paid to countries with the greatest need. The European Council welcomes in this connection the catch-up facility envisaged by the Commission.

18. Without prejudice to decisions on the financial perspective for 2000-2006, the PHARE programme will focus on accession by setting two priority aims: the reinforcement of administrative and judicial capacity (about 30% of the overall amount) and investments related to the adoption and application of the acquis (about 70%).

19. Some Community programmes (e.g. education, training and research) will be open to applicant States and this will enable them to familiarize themselves with the Union's policies and working methods. Such participation will have to be determined case-by-case, with each applicant State making a steadily increasing financial contribution of its own. PHARE will, if necessary, be able to continue part-financing the applicant States' national contributions. Such financing should remain at around 10% of the PHARE appropriation, not including participation in the research and development framework programme.

20. The applicant States should be allowed to take part, as observers and for the points which concern them, in the management committees responsible for monitoring the programmes to which they contribute financially, under specific arrangements adapted to the case in question.

21. The Community agencies in which applicant countries will be able to participate will be determined on a case-by-case basis.

22. A specific pre-accession strategy for Cyprus will be based on:

- participation in certain targeted projects, in particular to boost judicial and administrative capacity and projects in the field of justice and home affairs;

- participation in certain Community programmes and agencies (as in the approach followed for the other applicant States);

- use of technical assistance provided by TAIEX (Technical Assistance Information Exchange Office).

c. Commission opinions and accession negotiations

23. The Commission's opinions on the applicant States constitute a sound overall analysis of each applicant State's situation in the light of the membership criteria set by the Copenhagen European Council. The prospect of membership is a unique incentive to the applicants to speed up the implementation of policies which comply with the Union acquis. Incorporation of the acquis into legislation is necessary, but is not in itself sufficient; it will also be necessary to ensure that it is actually applied.

24. The European Council noted the link between the applicant States' ongoing efforts in that direction in sectoral policies, in particular the internal market and related policies, and the harmonious operation of Community policies after accession.

25. Compliance with the Copenhagen political criteria is a prerequisite for the opening of any accession negotiations. Economic criteria and the ability to fulfil the obligations arising from membership have been and must be assessed in a forward-looking, dynamic way.

26. The decision to enter into negotiations does not imply that they will be successfully concluded at the same time. Their conclusion and the subsequent accession of the different applicant States will depend on the extent to which each complies with the Copenhagen criteria and on the Union's ability to assimilate new members.

27. The European Council has decided to convene bilateral intergovernmental conferences in the spring of 1998 to begin negotiations with Cyprus, Hungary, Poland, Estonia, the Czech Republic and Slovenia on the conditions for their entry into the Union and the ensuing Treaty adjustments. These negotiations will be based on the general negotiating framework acknowledged by the Council on 8 December 1997.

At the same time as the above, the preparation of negotiations with Romania, Slovakia, Latvia, Lithuania and Bulgaria will be speeded up in particular through an analytical examination of the Union acquis. This preparation may also be discussed at ministerial-level bilateral meetings with the Member States of the Union.

28. The accession of Cyprus should benefit all communities and help to bring about civil peace and reconciliation. The accession negotiations will contribute positively to the search for a political solution to the Cyprus problem through the talks under the aegis of the United Nations which must continue with a view to creating a bi-community, bi-zonal federation. In this context, the European Council requests that the willingness of the Government of Cyprus to include representatives of the Turkish Cypriot community in the accession negotiating delegation be acted upon. In order for this

request to be acted upon, the necessary contacts will be undertaken by the Presidency and the Commission.

d. Review procedure

29. From the end of 1998, the Commission will make regular reports to the Council, together with any necessary recommendations for opening bilateral intergovernmental conferences, reviewing the progress of each Central and East European applicant State towards accession in the light of the Copenhagen criteria, in particular the rate at which it is adopting the Union acquis. Prior to those reports, implementation of the accession partnerships and progress in adopting the acquis will be examined with each applicant State in the Europe Agreement bodies. The Commission's reports will serve as a basis for taking, in the Council context, the necessary decisions on the conduct of the accession negotiations or their extension to other applicants. In that context, the Commission will continue to follow the method adopted by Agenda 2000 in evaluating applicant States' ability to meet the economic criteria and fulfil the obligations deriving from accession.

30. A dynamic approach should be maintained in assessing the progress made by applicant States in the regular reports which the Commission will submit to the Council.

A European strategy for Turkey

31. The Council confirms Turkey's eligibility for accession to the European Union. Turkey will be judged on the basis of the same criteria as the other applicant States. While the political and economic conditions allowing accession negotiations to be envisaged are not satisfied, the European Council considers that it is nevertheless important for a strategy to be drawn up to prepare Turkey for accession by bringing it closer to the European Union in every field.

32. This strategy should consist in:

– development of the possibilities afforded by the Ankara Agreement;

– intensification of the Customs Union;

– implementation of financial cooperation;

– approximation of laws and adoption of the Union acquis.

– participation, to be decided case by case, in certain programmes and in certain agencies provided for in paragraphs 19 and 21.

33. The strategy will be reviewed by the Association Council in particular on the basis of Article 28 of the Association Agreement in the light of the Copenhagen criteria and the Council's position of 29 April 1997.

34. In addition, participation in the European Conference will enable the Member States of the European Union and Turkey to step up their dialogue and cooperation in areas of common interest.

35. The European Council recalls that strengthening Turkey's links with the European Union also depends on that country's pursuit of the political and economic reforms on which it has embarked, including the alignment of human rights standards and practices on those in force in the European Union; respect for and protection of minorities; the establishment of satisfactory and stable relations between Greece and Turkey; the settlement of disputes, in particular by legal process, including the International Court of Justice; and support for negotiations under the aegis of the UN on a political settlement in Cyprus on the basis of the relevant UN Security Council Resolutions.

36. The European Council endorses the guidelines that emerged from the General Affairs Council of 24 November 1997 on future relations between the Union and Turkey and asks the Commission to submit suitable proposals.

The evolution of Union policies: Agenda 2000

37. The European Council welcomed the Commission communication on Agenda 2000 concerning the development of the Union's policies and the future financial framework. It confirmed the need to ensure in advance of enlargement that the Union is in a position to cope with it under the best conditions by making the adjustments deemed necessary to its policies and their financing, bearing in mind that it is essential to set a financial framework for the Union's policies. The imperative of budgetary discipline and efficient expenditure must prevail at Union level just as it prevails at Union level just as it prevails at the level of the Member States.

38. The European Council considers that the Commission proposals contained in Agenda 2000 are an appropriate working basis for further negotiations for an agreement on the Union's policies and the financial framework. It invites the Commission to submit its proposals on all of these questions as soon as possible in the light of the initial discussions and these guidelines. The European Council takes note of the Commission's intention to submit its report on the functioning of the system of own resources by autumn 1998 at the latest.

39. It is important for reasons of transparency to make a clear distinction in the presentation and implementation of the future financial framework between expenditure relating to the Union as currently constituted and that reserved for the future acceding countries as pre-accession or accession aid.

Common agricultural policy

40. The European Council took note of the outcome of proceedings of the Agriculture Council. The Union is determined to continue developing the present European model of agriculture while seeking greater internal and external competitiveness. European agriculture must, as an economic sector, be versatile, sustainable, competitive and spread throughout European territory, including regions with specific problems. The process of reform begun in 1992 should be continued, deepened, adapted and completed, extending it to Mediterranean production. The reform should lead to economically sound, viable solutions which are socially acceptable and make it possible to ensure fair income, to strike a fair balance between production sectors, producers and regions and to avoid distortion of competition. The financial resources needed to implement the common agricultural policy will be determined on the basis of the agricultural guideline.

Economic and Monetary Union

41. The European Council notes with satisfaction that the major part of the arrangements necessary for the transition to the single currency is now in place thanks to the contributions of the Council, the Commission, the European Parliament and the European Monetary Institute:

– The Stability and Growth Pact and the legislative texts concerning the legal status of the euro have been approved by the Council. In this context, it has been decided that notes and coins in euro will be introduced as from 1 January 2002.

– The Council has defined in a common position the unit values and technical specifications of the euro coins.

– The Council and the European Parliament have agreed the timetable and practical arrangements for preparing the decisions regarding confirmation of which Member States fulfil the necessary conditions, and for appointing the President, Vice-President and members of the Executive Board of the European Central Bank. In this context, the Commission and the European Monetary Institute will submit their reports on convergence by the end of March and the Member States have been asked to publish the required financial statistics in the last week in February, when they are notified to the Commission.

– The bilateral exchange rates which will be used to determine the conversion rates of the euro will be announced on 3 May 1998 for those States participating in the euro from the start.

42. The European Council requests that at all levels the final practical preparations for implementing the third phase of EMU, which should be completed by May 1998, be speeded up.

43. The European Council notes the Council's report on preparations for the third stage of Economic and Monetary Union. The report sets out the principles and arrangements for strengthened economic coordination among States which will be sharing a single currency and between those States and States which will not yet be in a position to participate in the euro.

44. By virtue of the Treaty, the ECOFIN Council is the centre for the coordination of the Member States' economic policies and is empowered to act in the relevant areas. In particular, the ECOFIN Council is the only body empowered to formulate and adopt the broad economic policy guidelines which constitute the main instrument of economic coordination.

The defining position of the ECOFIN Council at the centre of the economic coordination and decision-making process affirms the unity and cohesion of the Community.

The Ministers of the States participating in the euro area may meet informally among themselves to discuss issues connected with their shared specific responsibilities for the single currency. The Commission, and the European Central Bank when appropriate, will be invited to take part in the meetings.

Whenever matters of common interest are concerned they will be discussed by Ministers of all Member States.

Decisions will in all cases be taken by the ECOFIN Council in accordance with the procedures laid down in the Treaty.

45. As regards the implementation of the provisions on exchange policy, it is understood that general exchange policy guidelines vis-à-vis one or more non-Community currencies will be formulated only in exceptional circumstances in the light of the principles and policies defined in the Treaty.

46. The Council and the European Central Bank will fulfil their tasks in representing the Community at international level in an efficient manner and in compliance with the distribution of powers laid down in the Treaty. The Commission will be associated with external representation insofar as necessary to enable it to fulfil the role assigned to it by the Treaty.

47. The organization of an ongoing and fruitful dialogue between the Council and the European Central Bank, respecting the independence of the Bank, is an important factor in the proper functioning of Economic and Monetary Union.

48. The European Council adopted a Resolution incorporating the main principles of the aforesaid report (see Annex 1).

Employment

49. Following the decision taken by the Extraordinary European Council on Employment in Luxembourg on 20 and 21 November 1997 which, in practice, allows early implementation in 1998 of the provisions of the future Article 128 of the Treaty on coordination of Member States' employment policies, the European Council notes with satisfaction that the arrangements for Union action to promote employment are now in place and that the Council (Labour and Social Affairs) will adopt the guidelines for 1998 on 15 December 1997.

Internal market

50. The European Council welcomes the progress made in implementing the Action Plan on the Internal Market since the Amsterdam European Council and reaffirms that completion and stabilization of the Internal Market is a major contribution to strengthening competitiveness and economic growth and creating jobs in the European Union.

51. In the context of the joint work programme of the Luxembourg, United Kingdom and Austrian Presidencies, particular attention is being devoted to implementing and following up Internal Market legislation – for which the Commission has submitted its first "scoreboard". Political agreements have recently been reached on a number of priority issues (legal protection of bio-technological inventions, transparency mechanism for information society services, liberalization of the gas market). Other issues have yet to be brought to completion (European company, designs, etc.). The important conclusions recently reached by the Council on taxation policy will also contribute to reducing the distortions which still exist within the single market. The European Council asks the Council to pursue actively its efforts to implement, within the deadlines laid down, the guidelines of the Action Plan in order to strengthen the legislative framework of the Internal Market and its effective translation into economic reality.

52. The European Council welcomes the fact that the Commission has taken action on the request of the Amsterdam European Council to examine ways of effectively guaranteeing free movement of goods and it asks the Council and the European Parliament to examine this proposal promptly.

WTO: Financial services

53. The European Council welcomes the successful conclusion of WTO negotiations on financial services in Geneva, replacing the 1995 interim agreement by a substantive and permanent agreement. The European Council considers it important for the Union to develop further the multilateral liberalization movement resulting from the positive conclusion of these negotiations in order to continue to take steps to open the market as the new millennium approaches, especially within the context of preparations for the WTO Ministerial Meeting in May 1998.

The century date change problem

54. The European Council welcomes the Commission's intention to submit a communication on the problems arising from the year 2000 Computer Problem and calls on the incoming Presidency to accord top priority to the action to be taken.

Environment/health

Climate change

55. The European Council noted the agreement which had just been reached at Kyoto on a Protocol to the United Nations Framework Convention on Climate Change, containing significant undertakings by all industrialized countries which will lead to reductions in greenhouse gas emissions of more than 5%. It considers that this outcome represents an initial step which should be followed by further progress in the future.

56. The European Council stresses its conviction – expressed in the future Article 6 of the Treaty – that environmental protection requirements must be integrated into the Community's policies and activities, in particular with a view to promoting sustainable development. With this in mind, it asks the Commission to submit a strategy to it, before its June 1998 meeting, for achieving that goal.

Food safety

57. The safety of foodstuffs is, more than ever, a major concern in citizens' minds and everything must be done to re-establish their confidence, which has been particularly shaken by the BSE crisis. With this concern in view, the European Council approved the declaration in Annex 2.

Health

58. The European Council calls on the Commission to study the procedure for establishing a therapeutic solidarity fund under the aegis of UNAIDS to combat AIDS in the developing countries.

Justice and home affairs

59. The European Council took note of the latest report on activities in the Justice and Home Affairs area and emphasized the progress made during the last six months. It welcomes the signing, in the next few days, of the "Naples II" Convention on mutual assistance and cooperation between customs administrations.

60. The European Council also welcomes the political agreement reached on the basic principles of the draft Convention on jurisdiction, recognition and enforcement of judgments in matrimonial matters (Brussels II Convention); this Convention is likely to play an important part in the lives of the citizens of the Union. It asks that work on this draft should be completed under the United Kingdom Presidency.

61. Among other progress achieved, it notes with satisfaction the adoption of the first concrete measures for putting into effect the action plan to combat organized crime. It asks the Council to pursue actively the implementation of this programme approved by the Amsterdam European Council. In this context, substantial progress has been made on the draft Joint Action making it a criminal offence to participate in a criminal organization in the Member States of the European Union and on the draft Joint Action to create a European Judicial Network; it asks the Council to adopt these two instruments before the end of March 1998.

62. The European Council reaffirms, in this context, Europol's role as a privileged instrument for police cooperation, in particular in combating organized crime. While acknowledging the progress made in setting up Europol, it regrets that the state of ratifications in several Member States has delayed the entry into force of the Convention by several months.

63. The report on the implementation of the plan to combat drugs sets out the progress made in harmonizing legislation and practice, in combating synthetic drugs and in cooperation at international level. In this respect, substantial progress has been made in implementing the EU/Latin America cooperation mechanism, which includes the Caribbean. The Council welcomes the preparatory work undertaken with a view to implementing projects to combat the transit and production of drugs in Central Asia, and to establish a multiannual action programme on cooperation with Russia and the NIS in this area.

64. The situation arising from the massive influx of immigrants from Iraq in particular is disturbing. The Council must prepare and implement rapidly an action plan to respond to this problem.

65. The European Council stresses the importance of the initiatives developed in the context of the Year against Racism and Xenophobia in favour of a more just and tolerant society and welcomes the imminent start of the work of the Monitoring Centre on Racism and Xenophobia.

66. Finally, the European Council asks the Council to continue its efforts on the integration of the Schengen acquis, including determining the legal bases for the acquis, and the negotiation of the agreements to be concluded with Iceland and Norway. It points out that this work must be

completed in time so as to permit the actual application of these provisions as from the entry into force of the Amsterdam Treaty.

Regional cooperation in Europe

67. Regional cooperation plays a major role in stability and prosperity in Europe. The European Council notes with satisfaction reports submitted by the Commission in line with its undertaking entered into at the Dublin European Council on regional cooperation in the Black Sea, Central Europe and south eastern Europe in particular. It takes note of positive developments in the Baltic Sea (Council of Baltic Sea States) and in the Bering Sea arctic region. It calls on the Council to examine these reports.

68. The European Council noted the Finnish proposal concerning a northern dimension for the policies of the Union and requests the Commission to submit an interim report on this subject at a forthcoming European Council meeting in 1998.

50th anniversary of the Declaration of Human Rights

69. The European Council approved the declaration in Annex 3.

Middle east peace process

70. The European Council reviewed developments in the Middle East Peace Process in the light of the results of the informal meeting of Foreign Ministers in Mondorf on 25 and 26 October, the visit to the region by the President of the Council of Ministers from 10 to 14 November and a report to the Council by the EU's Special Envoy.

71. The European Council remained deeply concerned by the lack of progress in implementing all the commitments under the Israeli/Palestinian Interim Agreements and the Hebron Protocol and by the continuing deadlock on the Syrian and Lebanese tracks.

72. The European Council reaffirmed its "Call for Peace in the Middle East" issued in Amsterdam on 16 and 17 June 1997 and recalled its declaration made in Florence on 21 June 1996. It urged all the

parties to honour their commitments under existing agreements and to live up to their responsibilities in order to restore momentum to the peace process and to protect it from further setbacks and to renew negotiations in a spirit of mutual confidence, with a view to reaching a just, lasting and comprehensive peace in the Middle East by the end of the century.

73. It expressed satisfaction at the activities of the Special Envoy and encouraged him to continue his efforts in support of the Middle East Peace Process.

74. It endorsed the following guidelines for an EU policy aimed at facilitating progress and restoring confidence between the parties.

a. Palestinian track

Short-term measures

75. The European Union will continue to use all its political and moral weight to ensure that all the provisions in the agreements already reached are fully implemented on the basis of reciprocity by both the Israeli and the Palestinian sides.

76. The European Council stressed the great urgency for the parties to live up to previous commitments especially as regards credible and significant redeployments. It also stressed the importance of avoiding counterproductive unilateral actions, for instance on settlements and Jerusalem. In this context, it welcomed the work in hand towards the early adoption of the Code of Conduct proposed by the EU.

77. The European Council recalled the EU's determination to fight terrorism wherever it occurs and for whatever reason. In this context, it also underlines the importance of security cooperation between Israelis and Palestinians. This cooperation should be strengthened and not allowed to break down under any circumstances. It also recalled the EU's proposal for a Permanent Security Committee as a means of institutionalising security cooperation, as well as its counter-terrorism programme of assistance to the Palestinian Authority.

78. These steps will be helpful in restoring the spirit of partnership and mutual trust indispensable to the implementation of the Interim Agreements and the Hebron Protocol, as well as the resumption

of Permanent Status talks. They are aimed at preventing a breakdown in negotiations and at shielding the peace process from adverse circumstances.

79. The European Council underlined the importance of concluding negotiations in the nine committees created by the Interim Agreements. The Gaza airport and port as well as safe passage are issues of special relevance and urgency and the object of a substantial financial contribution from the EU.

80. The European Council emphasized that the EU is a major economic partner of both Israel and the Palestinian Authority as well as the largest donor of financial assistance to the Palestinian Authority. Economic development is a prerequisite for political stability. It reiterated its determination to work, including through the joint dialogue with Israel, towards the removal of obstacles to Palestinian economic development and to facilitate the free movement of people and goods. It also stressed the need for the comprehensive implementation of the EC/PLO Interim Agreement. The EU will also enhance its support to Palestinian institutions in East-Jerusalem.

81. The European Council stressed the importance of people-to-people programmes as an essential means of reinforcing dialogue and restoring mutual confidence between the parties at the level of civil society.

82. The EU will also continue to monitor closely developments on the ground through its own human rights, Jerusalem and settlements watch instruments.

Medium term

83. The European Council expressed the EU's readiness to contribute to Permanent Status negotiations, by offering specific suggestions to the parties on related subjects, including possible Palestinian statehood, borders/security arrangements, settlements, refugees, Jerusalem and water issues.

84. It also called for a review of the EU's financial support, with the aim of ensuring greater effectiveness in achieving the objectives of the Peace Process.

85. It insisted on the revival of regional economic cooperation as a means of promoting social and economic development and creating a sound environment for peaceful relations.

b. Syrian and Lebanese tracks

86. The European Council reiterated the importance which the EU attaches to the relaunching of negotiations on the Syrian and Lebanese tracks. The EU seeks the restoration of a comprehensive process on the basis of "Land For Peace" and demands the full implementation of UN Security Council Resolutions 242, 338 and 425.

c. Cooperation with the US and other parties

87. The European Council strongly supports US efforts to revive the peace process and expressed the EU's willingness to work closely with the United States and to maintain close contact with Russia and the regional parties.

ANNEXES to the Presidency Conclusions

Annex 1

Resolution of the European Council on economic policy coordination in stage 3 of EMU and on Treaty Articles 109 and 109b (annex 1)

The European Council, meeting in Luxembourg on 13 December 1997,

Recalling the conclusions of the Amsterdam European Council, notably on improving economic co-ordination and on effective ways of implementing Articles 109 and 109b of the Treaty,

the Amsterdam European Council Resolution on the Stability and Growth Pact,

the Amsterdam European Council Resolution on Growth and Employment,

and recalling the conclusions of its meeting in Luxembourg in which it endorsed the report of the Council of 1 December 1997,

has resolved as follows:

I. Co-ordination of economic policies in stage 3 of EMU

1. Economic and monetary union will link the economies of the euro-area Member States more closely together. They will share a single monetary policy and a single exchange rate. Cyclical developments are likely to converge further. Economic policies, and wage determination, however, remain a national responsibility, subject to the provisions of Article 104c and the Stability and Growth Pact. To the extent that national economic developments have an impact on inflation prospects in the euro area, they will influence monetary conditions in that area. It is for this basic reason that the move to a single currency will require closer Community surveillance and coordination of economic policies among euro-area Member States.

2. Economic and monetary interdependence with non-participating Member States will also be strong; they all participate in the single market. The need to ensure further convergence and a smooth functioning of the single market therefore requires all Member States to be included in the coordination of economic policies. Moreover, interdependence will be especially strong if non euro-area Member States participate in the new exchange rate mechanism, as countries with a derogation are expected to.

3. Enhanced economic policy coordination should give full attention to national economic developments and policies which have the potential to influence monetary and financial conditions throughout the euro area or the smooth functioning of the internal market. This includes:

– close monitoring of macroeconomic developments in Member States to ensure sustained convergence, and of exchange-rate developments of the euro,

– surveillance of budgetary positions and policies in accordance with the Treaty and the Stability and Growth Pact,

– monitoring of Member States’ structural policies in labour, product and services markets, as well as of cost and price trends, particularly insofar as they affect the chances of achieving sustained non-inflationary growth and job creation, and

– the fostering of tax reform to raise efficiency and the discouragement of harmful tax competition.

Enhanced economic policy coordination must adhere to the Treaty principle of subsidiarity, respect the prerogatives of national governments in determining their structural and budgetary policies subject to the provisions of the Treaty and the Stability and Growth Pact, respect the independence of the European System of Central Banks in pursuing its primary objective of price stability and the role of the ECOFIN Council as the central decision-making body for economic coordination, and respect national traditions and the competences and responsibilities of the social partners in the wage formation process.

4. To ensure the smooth functioning of EMU, the Council, the Commission and the Member States are called upon to apply the Treaty instruments for economic policy coordination fully and effectively.

To this end, the broad economic policy guidelines adopted in accordance with Article 103(2) should be developed into an effective instrument for ensuring sustained convergence of Member States. They should provide more concrete and country-specific guidelines and focus more on measures to improve Member States’ growth potential, thus increasing employment. Therefore, more attention should henceforth be paid in them to improving competitiveness, labour-, product- and services-market efficiency, education and training, and to making taxation and social protection systems more employment-friendly.

Enhanced coordination should be aimed at securing consistency of national economic policies and their implementation with the broad economic policy guidelines and the proper functioning of EMU. Economic policies and developments in each Member State and in the Community should be monitored in the framework of multilateral surveillance according to Article 103(3). Particular attention should be paid to giving early warning, not only of threatening budgetary situations in accordance with the Stability and Growth Pact, but also of other developments which, if allowed to persist, might threaten stability, competitiveness and future job creation. To this end, the Council is expected to be more ready to make the necessary recommendations in accordance with Article 103(4) to a Member State whenever its economic policies are not consistent with the broad economic policy guidelines. For its part, the Member State concerned should commit itself to take timely and efficient measures which it deems necessary to respond to the Council’s recommendations. Moreover, the Member States should commit themselves to a comprehensive

and speedy exchange of information on economic developments and policy intentions with a cross-border impact.

5. Monitoring of the economic situation and policy discussions should become a regular item on the agenda of informal ECOFIN sessions. In order to stimulate an open and frank debate, the ECOFIN Council should from time to time meet in restricted sessions (minister plus one), particularly when conducting multilateral surveillance.

6. Under the terms of the Treaty, the ECOFIN Council () is the centre for the coordination of the Member States' economic policies and is empowered to act in the relevant areas. In particular, the ECOFIN Council is the only body empowered to formulate and adopt the broad economic policy guidelines which constitute the main instrument of economic coordination.

The defining position of the ECOFIN Council at the centre of the economic coordination and decision-making process affirms the unity and cohesion of the Community.

The Ministers of the States participating in the euro area may meet informally among themselves to discuss issues connected with their shared specific responsibilities for the single currency. The Commission, and the European Central Bank when appropriate, will be invited to take part in the meetings.

Whenever matters of common interest are concerned they will be discussed by Ministers of all Member States.

Decisions will in all cases be taken by the ECOFIN Council in accordance with the procedures determined by the Treaty.

II. Implementing the Treaty provisions on the exchange-rate policy, external position and representation of the Community (Article 109)

7. The European Council recognizes the responsibility which will fall to the Community with the introduction of the euro, one of the major currencies in the world monetary system. The contribution of the Community through the ESCB, in strict accordance with the competences and procedures established by the Treaty, will be to provide a centre of price stability. For its part, the European Council is resolved to play its full part in helping to lay the foundations for a prosperous

and efficient economy in the Community, in accordance with the principle of an open economy with free competition, favouring an efficient allocation of resources, and in compliance with the principles set out in Treaty Article 3a. The European Council is convinced that this will provide the basis for a currency which is strong and respected.

8. The Council should monitor the development of the exchange rate of the euro in the light of a wide range of economic data. The Commission should provide analyses to the Council, and the Economic and Financial Committee should prepare the Council's reviews. It is important to make full use of the Treaty provisions to ensure an exchange of information and views between the Council and the ECB on the exchange rate of the euro. While in general exchange rates should be seen as the outcome of all other economic policies, the Council may, in exceptional circumstances, for example in the case of a clear misalignment, formulate general orientations for exchange-rate policy in relation to non-EC currencies in accordance with Article 109(2) of the Treaty. These general orientations should always respect the independence of the ESCB and be consistent with the primary objective of the ESCB to maintain price stability.

9. The Council should decide on the position of the Community at international level as regards issues of particular relevance to economic and monetary union, in accordance with Article 109(4). These positions will be relevant both to bilateral relations between the EU and individual third countries and to proceedings in international organizations or informal international groupings. The scope of this provision is necessarily limited as only euro-area Member States vote under Article 109.

10. The Council and the European Central Bank will carry out their tasks in representing the Community at international level in an efficient manner and in compliance with the allocation of powers laid down in the Treaty. On elements of economic policy other than monetary and exchange-rate policy, the Member States should continue to present their policies outside the Community framework, while taking full account of the Community interest. The Commission will be involved in external representation to the extent required to enable it to perform the role assigned to it by the Treaty.

Representation in international organizations should take account of those organizations' rules. With particular regard to the Community's relations with the International Monetary Fund, they should be predicated upon the provision in that Fund's Articles of Agreement that only countries can be members of that institution. The Member States, in their capacities as members of the IMF, should help to establish pragmatic arrangements which would facilitate the conduct of IMF surveillance and the presentation of Community positions, including the views of the ESCB, in IMF fora.

III. Dialogue between the Council and the ECB

11. In the light of the allocation of responsibilities laid down in the EC Treaty, the harmonious economic development of the Community in Stage 3 of EMU will call for continuous and fruitful dialogue between the Council and the European Central Bank, involving the Commission and respecting all aspects of the independence of the ESCB.

12. The Council should therefore play its full part in exploiting the channels of communication provided by the Treaty. The President of the Council, using his position under Article 109b of the Treaty, should report to the Governing Council of the ECB on the Council's assessment of the economic situation of the Union and on economic policies of the Member States and could discuss with the ECB the views of the Council on exchange-rate developments and prospects. The Treaty provides in turn for the ECB President to attend Council meetings whenever the Council is discussing matters relating to the objectives and tasks of the ESCB, for instance when the broad economic policy guidelines are being developed. Importance also attaches to the annual reports which the ECB will make to the European Parliament, the Council and the Commission, as well as to the European Council.

The Economic and Financial Committee, which will bring together senior officials from the national central banks and the ECB as well as from finance ministries, will provide the framework within which the dialogue can be prepared and continued at the level of senior officials.

Annex 2

Declaration by the European Council on food safety

Food safety is more than ever a matter of major concern for the public, and everything must be done to restore public confidence severely shaken by the BSE crisis. Consumer choice must also be facilitated through the provision of proper information and education.

The European Council stresses that the production and supply of safe food must be one of the European Union's priorities. It confirms its attachment to a high level of health protection, ensured on the basis of high-quality, transparent scientific advice. Taking account of the precautionary principle, all appropriate steps to achieve this goal must be taken by the Community institutions and the Member States. It is important that the Community should work resolutely for the achievement of the same goal in the relevant international bodies and in the context of trade between third countries and the European Union.

The European Council welcomes the policy debates on food safety held by the Ministers for Agriculture, Consumer Affairs, the Internal Market and Health in October, November and December 1997 and considers that the European Union should remain constantly alert to food safety concerns.

The European Council believes that certain aspects of Community legislation should be supplemented and simplified, while maintaining a high level of protection and seeking to meet consumers' legitimate expectations. It will be important to cover the entire food production chain effectively and consistently.

The food safety requirement should guide any action taken on the Commission's Green Paper on food legislation. The Green Paper should also serve as a basis for meeting consumer expectations of food labelling that is as clear and informative as possible.

The European Council would point out that effective implementation of legislation is an essential aspect of the process and calls on Member States to optimize their controls and coordinate more closely with the Commission.

The European Council also welcomes the Commission's undertaking to submit twice-yearly reports on BSE to the European Parliament and the Council.

Annex 3

Declaration by the European Council at the beginning of the year of the fiftieth anniversary of the Universal Declaration of Human Rights

1. At the time when celebrations to mark the fiftieth anniversary of the Universal Declaration of Human Rights are beginning, the European Council solemnly reaffirms the attachment of the European Union to respect and defend the rights of all human beings as they are set out by that text. The European Council also reiterates that the Union is based on the principles of freedom, democracy, respect for human rights and fundamental freedoms, and the rule of law, principles which are common to the Member States.

2. The European Council stresses the universal nature of human rights and reiterates the obligation incumbent on all States, in accordance with the United Nations Charter, to develop and encourage respect for human rights and fundamental freedoms for all, regardless of race, gender, language or religion.

3. The European Council recalls its Human Rights Declaration of June 1991 and reaffirms that respect for and the promotion and safeguard of human rights constitute an essential factor in international relations and one of the cornerstones of European cooperation and of relations between the European Union and third countries. The European Council underlines the European Union's substantial contribution to the proceedings of the various permanent bodies dealing with human rights within the United Nations, the Organization for Security and Cooperation in Europe and the Council of Europe.

4. The European Council welcomes the progress made in the area of human rights since the adoption of the Universal Declaration of Human Rights, in particular by means of the creation and implementation of mechanisms and instruments fostering the protection and promotion of human rights. However, it deplores the continuing flagrant violations of human rights in all parts of the world.

5. 1998, which has been declared Human Rights Year and which is the year of the fiftieth anniversary of the Universal Declaration of Human Rights, will also see a review of the implementation of the declaration and action programme of the Vienna World Conference on Human Rights, five years after their adoption. These defining events which will be taking place in 1998 should make it possible to raise awareness and rally the world's populations to the cause of human rights so that further advances can be made in this area.

6. The European Council appeals to all States to step up their efforts in the field of human rights by:

- acceding to international instruments to which they are not yet party with a view to achieving the objective of universal ratification of the international treaties and protocols concerning human rights;

- ensuring more stringent implementation of those instruments;

- strengthening the role of civil society in promoting and protecting human rights;

- promoting activities on the ground and developing technical assistance in the area of human rights;

– strengthening in particular training and education programmes concerning human rights.

7. The European Council recalls the contribution of human rights to the establishment of conditions which are more conducive to peace, security, democracy and social and economic development. It therefore supports the approach of integrating human rights into all the relevant activities of the United Nations and other international organizations.

8. The European Union and its Member States, which make a substantial contribution to activities in the field of human rights, underline the need to increase considerably the resources which the United Nations devote to them in such a way that they are in keeping with the priority importance which the international community attaches to the promotion and protection of human rights.

9. It fully supports the High Commissioner for Human Rights and stresses the importance of her task, including in the framework of the fiftieth anniversary. It draws the international community's attention to the importance of full cooperation by all States with international mechanisms in the human rights field.

10. The European Union pays tribute to the defenders of human rights and to non-governmental organizations, which by their commitment make a vital contribution to the defence of and respect for human rights.

11. The European Council welcomes the implementation of academic programmes by the European Commission in the context of the fiftieth anniversary. The Member States of the European Union will organize national activities to mark the anniversary.

12. The European Union will continue to cooperate with the other States in the international community to achieve the universal implementation of existing human rights standards, which are rooted in the Universal Declaration of Human Rights.

Annex 4

Reports submitted to the European Council

- Report by the Council to the European Council on enlargement and Agenda 2000

(13241/97)

- Report by the Council to the European Council on preparations for Stage 3 of EMU

(SN 4832/97)

- Report by the Council to the European Council on achievements in the field of justice and home affairs in 1997

(13191/1/97 REV 1)

- Report by the Council to the European Council on drugs

(12254/2/97 REV 2)

- Report from the Commission on regional cooperation in Europe

(13051/97)

- Commission report entitled "Better lawmaking"

(13002/97)

- Commission report on implementation of the action plan for the internal market (Single Market Scoreboard)

(12602/1/97 REV 1)

- Annual Commission report on trans-European networks

(13203/97)

- Second Commission report on the implementation of the recommendations of the Personal Representatives Group on Sound Financial Management (SEM 2000);

Council conclusions on that report

(12231/97 + 12725/97)