

AMSTERDAM EUROPEAN COUNCIL

16 AND 17 JUNE 1997

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INTRODUCTION

The European Council meeting in Amsterdam on 16 and 17 June 1997 successfully concluded the IGC with full agreement on a draft Treaty. This opens the way for the launching of the enlargement process in accordance with the conclusions of the Madrid European Council.

Building on the conclusions of the December Dublin European Council and fully in line with the established timetable, agreement was also reached on the necessary European Council Resolutions as well as on other relevant texts facilitating a smooth passage to, and a successful functioning of, the third stage of Economic and Monetary Union.

The European Council put particular emphasis on the employment situation and adopted to this effect a Resolution on Growth and Employment which together with the Stability and Growth Pact will create favourable conditions for economic growth and new job opportunities.

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

INTERGOVERNMENTAL CONFERENCE

The Intergovernmental Conference, meeting at the level of Heads of State or Government, reached agreement on the draft Amsterdam Treaty based on the texts (doc. CONF 4001/97). The necessary final legal editing and harmonization of the texts will be completed with a view to signature of the Treaty in October 1997 at Amsterdam.

The European Council invites the Council, on the basis of the agreed texts, to take as soon as possible the appropriate measures with a view to ensuring the full functioning of the Treaty as soon as it enters into force :

- as regards the second pillar, the setting up of the policy planning and early warning Unit, as referred to in the relevant Declaration to be annexed to the Final Act of the Treaty and other questions related to the organization of the General Secretariat of the Council and the closer cooperation of EU and WEU;
- as regards the Schengen Protocol, the adoption of certain measures for the implementing of the Schengen Protocol upon the entry into force of the Treaty and the integration of the Schengen Secretariat into the General Secretariat of the Council.

In this context, the European Council notes with appreciation that the arrangements laid down in the Protocol integrating the Schengen acquis into the framework of the Union and in the Protocol on Denmark make it possible to ensure the preservation of the Nordic Passport Union within the framework of a wider European cooperation on the free movement of persons.

The European Council takes note of the statement on public credit institutions in Germany. It invites the Commission to examine whether similar cases exist in the other Member States, to apply as appropriate the same standards on similar cases and to inform the ECOFIN Council.

ENLARGEMENT

The European Council notes that, with the successful conclusion of the Intergovernmental Conference, the way is now open for launching the enlargement process in accordance with the conclusions of the Madrid European Council.

It welcomes the Commission's intention to present by mid-July its opinions on the accession applications as well as a comprehensive communication ("Agenda 2000") covering the development of Union policies including the agricultural and structural policies, the horizontal questions related to enlargement and finally the future financial framework beyond 1999.

The European Council notes that the Commission in its Agenda 2000 communication will draw the main conclusions and recommendations from the opinions and give its views on the launching of the accession process including proposals on reinforcing pre-accession strategy and further developing pre-accession assistance building on ongoing reforms of PHARE.

The European Council invites the Council (General Affairs) to examine in depth the Commission's opinions as well as its Agenda 2000 communication and present a comprehensive report to the European Council at its December meeting in Luxembourg.

At that meeting, the European Council, with a view to enabling the actual opening of negotiations as soon as possible after December 1997, will take the necessary decisions on the

overall enlargement process including practical arrangements for the initial phase of negotiations and the reinforcement of the Union's pre-accession strategy as well as other possible means to strengthen cooperation between the EU and all applicant countries.

ECONOMIC AND MONETARY UNION

The European Council welcomes the contributions by the Council, the Commission, the European Parliament and the EMI, which have made possible further concrete steps in view of the start of EMU on 1 January 1999 and to safeguard its successful functioning:

The European Council has adopted a Resolution laying down the firm commitments of the Member States, the Commission and the Council regarding the implementation of the Stability and Growth Pact. The European Council has also adopted a separate Resolution on Growth and Employment laying down the firm commitments of the Member States, the Commission and the Council to give a new impulse for keeping employment firmly at the top of the political agenda of the Union. Sound macro-economic and budget policies go hand in hand with strong and sustainable growth in output and employment. Both Resolutions (Annex I) contribute to macro-economic stability, growth and employment. The two Regulations that form part of the Stability and Growth Pact for ensuring budgetary discipline in the EMU have been agreed. These Regulations also cover the obligations of Member States not participating in the euro area. The European Council invites the Council to adopt these Regulations without delay. The Regulations set out a framework for effective multilateral surveillance and give precision to the excessive deficit procedure. The European Council endorses the mechanism included in the Regulation on the excessive deficit procedure, which requires proceeds of sanctions to be distributed to Member States participating in the euro area and not having an excessive deficit. Where necessary, the Financial Regulation will be modified before the end of 1998. It is agreed that any sanctions under Article 104c shall have no consequences for the expenditure ceilings contained in the financial perspectives. It is further noted that expenditure to distribute proceeds of sanctions does not count against the ceiling of 1,335 % of GNP for commitment appropriations referred to in Article 3 (2) of the own resources Decision.

The principles and fundamental elements of a new Exchange Rate Mechanism (ERM 2) to be established as from 1 January 1999 have been laid down in a Resolution which the European Council has adopted (Annex II). The European Council notes that the Governors of the Central Banks endorse the text of this Resolution, including the +/- 15 % fluctuation margins. * There is now complete agreement on the two Regulations which constitute the legal framework for the euro, and which will shortly be published together. The first Regulation is based on Article 235 and has already been adopted, while the second Regulation will be adopted by the Council immediately after the decision on Member States participating in the euro area has been taken as early as possible in 1998.

The European Council welcomes and fully endorses the choice for the design of the euro coins. Together with the euro bank notes, this provides a tangible sign to citizens of the preparations for

the euro. The progress achieved signifies that most of the technical preparations for the EMU have now been accomplished. The European Council notes that the remaining period before the start of the third stage of EMU on 1 January 1999 should be used to step up the practical efforts of all actors, including public administrations, in preparing for the introduction of the euro. The European Council invites the Council and the Commission, in cooperation with the European Monetary Institute, to study effective ways of implementing all provisions of Article 109 of the Treaty and in particular Article 109 (2) on the possible formulation of general orientations for exchange-rate policy in relation to one or more non-Community currencies which shall be without prejudice to the primary objective of the European System of Central Banks to maintain price stability while fully respecting the Statutes of the European Central Bank, Article 109(4) on the position of the Community at the international level as regards issues of particular relevance to economic and monetary union and on its representation in compliance with the allocation of powers laid down in Articles 103 and 105 and Article 109b (1) on the provisions on the position of the Council in meetings of the Governing Council of the ECB.

The European Council further invites the Council and the Commission to examine and indicate how to improve the processes of economic co-ordination in stage three of Economic and Monetary Union consistent with the principles and practices of the Treaty. The Council is invited to prepare a progress report for the European Council meeting in Luxembourg.

The European Council fully agrees with the Council's recommendations on the broad guidelines of the economic policies of the Member States and the Community. In the Resolution on Growth and Employment the European Council called on the Council to strengthen the employment focus of the broad guidelines. The Council is urged to implement this approach as soon as feasible.

The European Council notes that the strenuous efforts of the Member States towards achieving a high degree of sustainable convergence, notably in the budgetary area, are contributing to improved prospects for growth and employment in 1997 and beyond.

The European Council welcomes the understanding reached by the Council on the timeframe for the implementation, as early as possible in 1998, of the procedure laid down in Article 109j(4). This timeframe should also allow the European Parliament to play its full role in this process.

The European Council stresses the importance of applying strict budget discipline not only at national level but also at Community level in the context of the EU Budget.

It welcomes the progress made in the context of the SEM (Sound and Efficient Management) 2000 programme, reaffirms the importance of this initiative for the improvement of the financial management of Community expenditure and the fight against fraud and stresses the need to pursue it.

EMPLOYMENT, COMPETITIVENESS AND GROWTH

In order to maintain momentum in fostering economic growth and fighting unemployment, an extraordinary meeting of the European Council under Luxembourg Presidency will review progress in the implementation of, among others, the initiatives concerning job creating potentials for small and medium-sized enterprises, a new Competitiveness Advisory Group, the study of good practices on employment policies of the Member States, and the initiatives of the EIB in creating employment opportunities, as referred to in the European Council Resolution on Growth and Employment. The European Council invites the Commission and the Council, in cooperation with the EIB, to prepare a progress report to this European Council.

The European Council reaffirms the importance it attaches to promoting employment and reducing the unacceptably high levels of unemployment in Europe, particularly for young people, the long-term unemployed and the low-skilled.

The Council reiterates the need for a positive and coherent approach to job creation, encompassing a stable macroeconomic framework, completion of the Single Market, active employment policies and the modernisation of labour markets to bring Member States further towards the goal of full employment.

The European Council welcomed the interim joint report on employment prepared by ECOFIN, the Labour and Social Affairs Council and the Commission and the progress report on the Confidence Pact on Action for Employment in Europe, presented by the President of the Commission.

The European Council noted with approval the agreement of the Intergovernmental Conference to incorporate both the Social Agreement and a new title on Employment in the Treaty. The Council should seek to make the relevant provisions of this title immediately effective. This underlines the vitally important link between job creation, employability and social cohesion.

Restoring a sustained, high rate of non-inflationary growth is necessary to achieve a long-lasting solution to the Community's unemployment problem and to make further headway towards sound public finances. Structural deficiencies continue to restrain both growth and the degree to which growth can be translated into additional employment.

The European Council attaches paramount importance to creating conditions in the Member States that would promote a skilled and adaptable workforce and flexible labour markets responsive to economic change. This requires active intervention by the Member States in the labour market to help people develop their employability. Such action is important if the European Union is to remain globally competitive, and in order to tackle the scourge of unemployment.

A reduction in the overall tax burden is desirable in most Member States, in particular the tax burden on labour. Also, a restrictive restructuring of public expenditure is called for to encourage investment in human capital, research and development, innovation and the infrastructure essential to competitiveness.

Furthermore, the employment relevance of training and lifelong learning should be strengthened, tax and social welfare systems should be further reviewed in order to enhance employment opportunities, and more active labour market policy measures should be implemented. Efficiency and equity gains are to be improved by using social transfers in a more active way and by transforming benefit systems into proactive systems which improve the employability of workers.

The European Council notes with satisfaction the work done on indicators that will allow benchmarking of the measures and policies pursued by the Member States under their multiannual employment programmes. The European Council invites the Employment and Labour Market Committee and the Economic Policy Committee to discuss these issues with a view to enabling Member States to identify particularly good performance and effective practices and to take them into account in the formulation of their policies.

Efforts made by social partners on wage moderation were acknowledged and should be pursued. Furthermore wage, agreements should take more account of differences in qualifications and between regions in order to facilitate job creation. The European Council strongly welcomes the agreement concluded by the Social Partners on part-time working and calls on them to bear in mind in their discussions the need to strike a balance between labour market adaptability and social security, in order to enhance employability.

The European Council notes with satisfaction the overwhelmingly positive reaction of Member States to its invitation made in Florence to select regions or cities which could act as candidates for pilot projects on territorial and local employment pacts. As a result, around 90 such pacts have been established that will be launched at a conference in Brussels in November this year.

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The European Council reaffirms the importance it attaches to a well functioning internal market as an essential element of the overall strategy to promote competitiveness, economic growth and employment throughout the Union. It welcomes the Commission's "**Action Plan for the Single Market**" and endorses its overall objective. The four strategic targets in the Action Plan should form the basis for a renewed political effort to remove remaining obstacles so as to ensure that the full potential benefit of the Single Market is realised.

The European Council agrees on the importance of ensuring full coherence between actions in the field of the internal market and other policies of the Union, in particular the social dimension, regional cohesion, competition policies, development of small and medium-sized enterprises, protection of the environment, health and consumers' rights.

The European Council underlines the necessity of differentiating in time between various categories of action in the Action Plan. In the first instance, the Community institutions and the Member States should focus their attention on areas where actions can be undertaken immediately or where negotiations can be completed quickly on existing proposals.

As an area where actions can be undertaken immediately, the European Council emphasizes the first strategic target of the Action Plan : to make existing rules for the Single Market more effective.

The European Council underlines the crucial importance of timely and correct transposition of all agreed legislation into national law, the need fully to inform citizens and business about the Single Market, and the necessity of active enforcement of Community law in the Member States and the introduction of more rapid and effective procedures for problem-solving including deliberations at Council level in cases of recurrent problems. The European Council requests the Commission to examine ways and means of guaranteeing in an effective manner the free movement of goods. It requests the Commission to submit relevant proposals before its next meeting in December 1997.

The European Council confirms its strong commitment to simplification of existing and new legal and administrative regulations in order to improve the quality of Community legislation and reduce the administrative burden on European business, particularly small and medium-sized enterprises. The Commission is invited to set up a task force for this purpose. Furthermore, the European Council calls on the Commission to broaden its Rolling Programme of Simplification in consultation with all parties concerned, and invites the Member States to pursue comparable simplification activities at national level.

The European Council urges the Council and the European Parliament to seek early agreement on a limited number of priority measures identified in the Action Plan, on the basis of existing proposals where possible before the end of the year. It further invites the Council to take the necessary steps, where appropriate on the basis of further proposals by the Commission, to reach the widest possible agreement by early 1999 on the other key areas of the internal market.

The European Council welcomes the commitment by the next three Presidencies to give priority to the Action Plan. It invites the European Parliament to lend its political support to the Action Plan with a view to accelerating, to the maximum extent possible, the adoption of those legislative measures concerned. It invites the Commission to report on progress in implementing the Plan to the Council as well as to the European Council in December 1997.

Since the competitiveness of European industry provides the foundation for growth, creating jobs and raising living standards, the European Council welcomes the Industry Council conclusions of 24 April 1997 on the organization of work concerning the competitiveness of European industry, according to which an annual debate on competitiveness will be organized within the framework of the Industry Council on the basis of a bench-marking programme formulated by the Commission.

The Commission will also develop analysis and initiatives on competitiveness, in particular in the Information and Communication Sector (ICT). In this context, the European Council welcomes the formation of the new Competitiveness Advisory Group.

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The Members of the European Council whose States are party to the Agreement on Social Policy annexed to Protocol 14 to the Treaty on European Union welcome wholeheartedly the decision of the United Kingdom to accede to the social provisions of the new Treaty. They note with great satisfaction the willingness of the United Kingdom to accept the Directives which have already been agreed under the Agreement and those which may be adopted before the entry into force of the new Treaty. The European Council notes that a means will have to be found, in advance of the signature of the Amsterdam Treaty, to give legal effect to these wishes.

In that light, the Members of the European Council whose States are party to the Social Agreement declare that the United Kingdom will now be invited to express its views in discussions on acts to be adopted on the basis of the said Protocol and that the Presidency and the Member States, while fully respecting the provisions of the aforesaid Protocol as well as those of the Council's Rules of Procedure, will use their best endeavours to reach a solution which takes account of those views.

They also confirm that, if the Treaty of Amsterdam were not to enter into force before 1 January 1998, the Council would be chaired by the Representative of the Government of the United Kingdom for matters falling under the said Protocol during its Presidency in the first half of 1998.

ENVIRONMENT

The European Council reaffirms the commitment of the European Union in respect of the Earth Summit on Environment and Development five years ago. The European Council is of the opinion that the Rio Process needs to be accelerated to reach a stage where worldwide development is sustainable. To make this possible it is of the essence that economic, environmental and social policies are integrated and well-coordinated. There are two objectives of particular importance : the eradication of poverty and the change of consumption and production patterns. The European Union will play a leading role at UNGASS in trying to reach consensus on concrete targets for sustainable development.

The European Council reiterates the need for a strong response to the risk of climate change.

The European Council reaffirms that the negotiating process to strengthen the Framework Convention on Climate Change should result in a protocol to be agreed in Kyoto in December, containing legally-binding commitments to significant overall reductions of greenhouse gas emissions below the 1990 level after the year 2000, as well as common and coordinated policies and measures.

The European Union has agreed to propose, as the Community's negotiating position in Kyoto, a 15% reduction, compared to their 1990 level, of the emission levels of the main greenhouse gases for 2010.

The European Council discussed various environmental initiatives and reaffirmed the Union's position in favour of a Convention on the protection of forests.

The European Council adopted a declaration on banning the cloning of human beings (Annex IV).

FREEDOM, SECURITY AND JUSTICE

ACTION AGAINST ORGANIZED CRIME AND DRUGS

The European Council expresses its satisfaction with the Action Plan drawn up by the High Level Group on **Organized Crime** in response to its mandate from Heads of State or Government at their meeting in Dublin in December 1996. It endorses the political guidelines submitted for its approval and instructs the Council to take the necessary measures to implement the Plan, to monitor progress and to report back to the European Council in June 1998. It welcomes in particular the comprehensive approach adopted in the Action Plan with its emphasis on prevention as well as repression, on the balance struck between legislative approximation or harmonization and practical cooperation between law enforcement agencies both at the judicial level and at the police level, and on the importance of cooperation with the Union's main partners, in particular with applicant countries. The European Council stresses the key role to be played by EUROPOL in the fight against organized crime and reiterates the priority it attaches to the ratification by all Member States of the EUROPOL Convention and the Protocol on Privileges and Immunities before the end of 1997.

The European Council takes note of the interim report from the Presidency on **drugs** setting out the action that has been taken to follow up the proposals which it approved in Dublin concerning the various aspects of the drugs problem, in particular reduction of demand and supply and international cooperation. It welcomes the priority attention which has been accorded to synthetic drugs and the common action adopted by the Council to establish an early warning system. It requests the Council to pursue its work on precursor chemicals.

The European Council invites the Council to pursue its work on cooperation with third countries and regions and the implementation of the Joint Action on the approximation of the laws and practices of police, customs services and judicial authorities in the fight against drug addiction and illegal drug trafficking, and requests the Council to make a first assessment of the implementation of measures for the European Council in Luxembourg.

CORRUPTION

The European Council welcomes the adoption of the Convention on Corruption by Justice and Home Affairs Ministers at their meeting in May 1997 and urges Member States to ratify the Convention rapidly. It also urges Member States to ratify the Convention on the Protection of the European Communities' Financial Interests and its Second Protocol by mid-1998.

ASYLUM AND IMMIGRATION

The European Council welcomes the completion of the ratification procedures of the Convention determining the State responsible for examining applications of asylum lodged in one of the Member States of the European Community (Dublin Convention), thus allowing the entry into force of this convention by 1 September 1997.

RACISM AND XENOPHOBIA

The European Council welcomes the agreement on the European Monitoring Centre on Racism and Xenophobia which will be established in Vienna. This is a significant achievement in the context of the 1997 European Year against racism and xenophobia.

EXTERNAL ACTION BY THE UNION

TRADE QUESTIONS

The European Council expresses satisfaction at the successful conclusion of the Information Technology Agreement and the WTO negotiations on basic telecommunications services, which together liberalize approximately \$ 1 trillion in global trade in goods and services.

It reiterates the importance which the European Union attaches to the implementation of the comprehensive and integrated WTO plan of action for the least-developed countries agreed upon at the WTO Ministerial Conference in Singapore.

The European Council took note with satisfaction of the presentation by the Council of the report on the development of the trade policy and the preferential agreements of the Community, as requested by the European Council in Florence.

EU-US RELATIONS

The European Council notes with satisfaction the progress in implementing the New Transatlantic Agenda and Joint EU-US Action Plan recorded at the EU-US Summit in The Hague on 28 May. It also notes that the Summit coincided with the celebration of the 50th Anniversary of the Marshall Plan, thus marking the important role which the EU and the US are determined to continue to play in promoting together the stability and development of a democratic and undivided Europe.

MEDITERRANEAN

The European Council welcomes the conclusions adopted at the Second Euro- Mediterranean Conference, held at Valletta, Malta, on 15 and 16 April 1997, which, at a particularly difficult juncture as regards political conditions in the region, reaffirmed the principles and objectives agreed at Barcelona in 1995 and which set out a number priorities for the future development of the Partnership. The European Council encourages all partners to actively pursue the strengthening of the partnership with the aim of establishing a common Euro-Mediterranean area of peace, prosperity and stability.

The European Council welcomes the progress made towards the creation of a Euro-Mediterranean Free Trade Area through the further extension of a network of Euro-Mediterranean agreements, which is a key element of the Partnership. In this context, it welcomes the signing of a Euro-Mediterranean Interim Association Agreement with the Palestine Liberation Organization for the benefit of the Palestinian Authority of the West Bank and the Gaza strip and stresses the importance of concluding the outstanding agreements with Egypt, Lebanon, Jordan and Algeria as quickly as possible on the basis of the mandate agreed by the Council.

RUSSIA

The European Council reaffirms the fundamental importance it attaches to the development of political and economic relations between the Union and the Russian Federation. It notes with satisfaction the active development of dialogue between the EU and Russia at all levels and notably the important contribution made by the EU- Russia Summit to that development.

The European Council welcomes the signing of the Founding Act on Mutual Relations, Cooperation and Security between NATO and the Russian Federation. This Agreement, the idea of which the European Council supported in its conclusions at Cannes in June 1995, is a fundamental contribution to the development of a new European security architecture in which Russia finds its due place.

SOUTH AFRICA

The European Council recalls the importance the Union attaches to deepening and strengthening its relations with South Africa. The signature in April of the Protocol governing the partial accession of South Africa to the Lomé Convention was an important step in this process. Similarly the European Council welcomes the South African Government's confirmation that it will pursue actively the negotiation and early conclusion of agreements on trade and cooperation, fisheries and wine. The European Union looks forward to working closely with South Africa as a member of the OAU and SADC in helping to address wider problems of common concern in Africa.

MIDDLE EAST PEACE PROCESS

The European Council adopted the Call for Peace in the Middle East given at Annex III.

FORMER YUGOSLAVIA

The European Council remains concerned about the slow progress to date in the consolidation of Bosnia and Herzegovina as a single state in accordance with the Dayton Agreements. It reminds the parties of their responsibility to their own people to implement sincerely the commitments they undertook at Dayton if further disaster is to be avoided. Recalling the various declarations and conclusions of the Council on Bosnia and Herzegovina it welcomes and supports the conclusions of the Sintra Ministerial meeting on 30 May. It expresses its deep appreciation to the High Representative, Mr Carl Bildt, for the way in which he has tackled with commitment, energy and great ability an extraordinarily difficult task. The EU will give the same strong support to his successor, Mr Carlos Westendorp, whose appointment the European Council welcomes. The European Union will work with him and other members of the international community to bring the parties in Bosnia and Herzegovina to implement fully their commitments in their own interest and that of their people as well as of stability in the region.

The European Council shares the concern of the international community at the slow progress towards genuine democracy and respect for fundamental rights and freedoms in the FRY and at the only partial implementation of the Gonzalez report. It reminds the Belgrade authorities that the further development of relations between the EU and the FRY will depend on full implementation of that report as well as on progress with respect to Kosovo (respect for human rights, granting of a large degree of autonomy), on the implementation of the Dayton Agreements and on other relevant conditions in the EU's strategy towards the countries of the region.

On Croatia, the European Council, in welcoming the elections there and particularly in Eastern Slavonia, and in paying tribute to the key role of UNTAES and its Administrator, Mr Jacques Klein, nonetheless emphasizes that strict respect for human and minority rights throughout the country, including the return of displaced persons and refugees, remains an essential requirement for the reintegration process and for an improvement of relations between the EU and Croatia.

ALBANIA

The European Council reaffirms the determination of the Union, in accordance with its common position of 2 June and its regional approach to help Albania, to return to political and economic stability, to establish internal security and to promote the democratic process through holding the scheduled elections freely and fairly in accordance with international standards. The European Council fully supports the coordinating efforts of the Personal Representative of the Chairman-in-Office of the OSCE, Mr Franz Vranitzky, and the important role of the Multinational Protection Force in helping to create a secure environment for the election process and the various missions of the international community in Albania.

CONGO

The European Union looks forward to establishing a constructive relationship with the new government of the Democratic Republic of Congo. An essential cornerstone for rebuilding the country and securing the acceptance and assistance of the international community, including the European Union, is respect for human rights and international humanitarian law, as well as a genuine commitment to democracy. The EU welcomes the agreement between President Kabila and the UN Secretary General regarding the investigation into alleged human rights violations in Congo and expects President Kabila to give effect to that agreement and to implement the concrete steps which he has announced regarding the democratization process, which should result in free and fair elections within two years. The European Union is prepared to play a full part in this process. It is the intention that a Troika at political level will visit Kinshasa if possible this month.

The European Council recalls the need for an international conference under the auspices of the UN and the OAU on peace and stability in the Great Lakes Region.

HONG KONG AND MACAU

On the eve of the transition in Hong Kong, the European Council recalls its conclusions at Dublin on 13 and 14 December and the conclusions of the Council of 2 June in support of future stability and prosperity for the Hong Kong Special Administrative Region of the People's Republic of China. It emphasizes the importance it attaches to full respect for the rights and freedoms of the Hong Kong people and the high degree of autonomy, including for trading purposes, accorded to Hong Kong under the Sino-British Joint Declaration and the Basic Law of the Hong Kong Special Administrative Region, the implementation of which offers the best assurance for Hong Kong's future.

Regarding Macau the European Council expresses its wish that the transition process in the territory will continue to be in accordance with the Sino-Portuguese Joint Declaration of 1987, thus contributing to a smooth transfer of the administration in 1999.

EU SUMMITS WITH LATIN AMERICA, THE CARIBBEAN AND AFRICA

The European Council looks forward to a summit meeting of Heads of State and Government of the EU with Latin America and the Caribbean. It likewise looks forward to a summit between the EU and Africa. These meetings should take place not later than the year 2000. It attaches importance to thorough preparation to ensure successful results of these summits.

CONTROL OF ARMS EXPORTS

The European Council underlined the vital role of concerted international efforts towards proper regulation of arms exports. It therefore called for renewed and sustained attention, in the framework of the Common Foreign and Security Policy, to developing responsible and coherent arms export control policy throughout the Union on the basis of the common criteria identified in the conclusions of the European Councils of 29 June 1991 and 26-27 June 1992. Greater sharing of relevant information on national licencing policy and practice is important for the fuller and more convergent implementation of the common criteria.

AMSTERDAM EUROPEAN COUNCIL 16 AND 17 JUNE 1997 PRESIDENCY CONCLUSIONS

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ANNEX I

EUROPEAN COUNCIL RESOLUTIONS ON STABILITY, GROWTH AND EMPLOYMENT

The European Council has adopted two separate Resolutions. One Resolution lays down the firm commitments of the Member States, the Commission and the Council regarding the implementation of the Stability and Growth Pact. The other Resolution is on Growth and Employment, laying down the firm commitment of the Member States, the Commission and the Council to give a new impulse for keeping employment firmly at the top of the political agenda of the Union.

Sound macro-economic and budget policies go hand in hand with strong and sustainable growth in output and employment. Both Resolutions contribute to macro-economic stability, growth and employment.

Resolution of the European Council on the Stability and Growth Pact

I. Meeting in Madrid in December 1995, the European Council confirmed the crucial importance of securing budgetary discipline in stage three of Economic and Monetary Union (EMU). In Florence, six months later, the European Council reiterated this view and in Dublin, in December 1996, it reached an agreement on the main elements of the Stability and Growth pact. In stage three of EMU, Member States shall avoid excessive general government deficits: this is a clear Treaty obligation ¹. The European Council underlines the importance of safeguarding sound government finances as a means to strengthening the conditions for price stability and for strong sustainable growth conducive to employment creation. It is also necessary to ensure that national budgetary policies support stability oriented monetary policies. Adherence to the objective of

sound budgetary positions close to balance or in surplus will allow all Member States to deal with normal cyclical fluctuations while keeping the government deficit within the 3 percent of GDP reference value.

II. Meeting in Dublin in December 1996, the European Council requested the preparation of a Stability and Growth pact to be achieved in accordance with the principles and procedures of the Treaty. This Stability and Growth pact in no way changes the requirements for participation in stage three of EMU, either in the first group or at a later date. Member States remain responsible for their national budgetary policies, subject to the provisions of the Treaty; they will take the necessary measures in order to meet their responsibilities in accordance with those provisions.

III. The Stability and Growth pact, which provides both for prevention and deterrence, consists of this Resolution and two Council Regulations, one on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies and another on speeding up and clarifying the implementation of the excessive deficit procedure.

IV. The European Council solemnly invites all parties, namely the Member States, the Council and the Commission, to implement the Treaty and the Stability and Growth pact in a strict and timely manner. This resolution provides firm political guidance to the parties who will implement the Stability and Growth pact. To this end, the European Council has agreed upon the following guidelines :

The Member States

1. commit themselves to respect the medium-term budgetary objective of close to balance or in surplus set out in their stability or convergence programmes and to take the corrective budgetary action they deem necessary to meet the objectives of their stability or convergence programmes, whenever they have information indicating actual or expected significant divergence from those objectives;
2. are invited to make public, on their own initiative, the Council recommendations made to them in accordance with Article 103(4);
3. commit themselves to take the corrective budgetary action they deem necessary to meet the objectives of their stability or convergence programmes once they receive an early warning in the form of a Council recommendation issued under Article 103(4);
4. will launch the corrective budgetary adjustments they deem necessary without delay on receiving information indicating the risk of an excessive deficit;
5. will correct excessive deficits as quickly as possible after their emergence; this correction should be completed no later than the year following the identification of the excessive deficit, unless there are special circumstances;
6. are invited to make public, on their own initiative, recommendations made in accordance with Article 104c(7);

7. commit themselves not to invoke the benefit of Article 2 paragraph 3 of the Council Regulation on speeding up and clarifying the excessive deficit procedure unless they are in severe recession; in evaluating whether the economic downturn is severe, the Member States will, as a rule, take as a reference point an annual fall in real GDP of at least 0,75%.

The Commission

1. will exercise its right of initiative under the Treaty in a manner that facilitates the strict, timely and effective functioning of the Stability and Growth pact;
2. will present, without delay, the necessary reports, opinions and recommendations to enable the adoption of Council decisions under Article 103 and Article 104c; this will facilitate the effective functioning of the early warning system and the rapid launch and strict application of the excessive deficit procedure;
3. commits itself to prepare a report under Article 104c(3) whenever there is the risk of an excessive deficit or whenever the planned or actual government deficit exceeds the 3 per cent of GDP reference value, thereby triggering the procedure under Article 104c(3);
4. commits itself, in the event that the Commission considers that a deficit exceeding 3% of GDP is not excessive and this opinion differs from that of the Economic and Financial Committee, to present in writing to the Council the reasons for its position;
5. commits itself, following a request from the Council under Article 109d, to make, as a rule, a recommendation for a Council decision on whether an excessive deficit exists under Article 104c(6).

The Council

1. is committed to a rigorous and timely implementation of all elements of the stability and growth pact in its competence; it will take the necessary decisions under Article 103 and Article 104c as quickly as is practicable;
2. is urged to regard the deadlines for the application of the excessive deficit procedure as upper limits; in particular, the Council, acting under article 104c(7), shall recommend that excessive deficits will be corrected as quickly as possible after their emergence, no later than the year following their identification, unless there are special circumstances;
3. is invited always to impose sanctions if a participating Member State fails to take the necessary steps to bring the excessive deficit situation to an end as recommended by the Council;
4. is urged always to require a non-interest bearing deposit, whenever the Council decides to impose sanctions on a participating Member State in accordance with Article 104c(11);

5. is urged always to convert a deposit into a fine after two years of the decision to impose sanctions in accordance with Article 104c(11), unless the excessive deficit has in the view of the Council been corrected;

6. is invited to always state in writing the reasons which justify a decision not to act, if at any stage of the excessive deficit or surveillance of budgetary positions procedures the Council did not act on a Commission recommendation, and, in such a case, to make public the votes cast by each Member State.

RESOLUTION OF THE EUROPEAN COUNCIL ON GROWTH AND EMPLOYMENT

The European Council, meeting in Amsterdam on 16 June 1997,

RECALLING the conclusions of the Essen European Council, the Commission's initiative for "Action on Employment: A Confidence Pact", the Dublin Declaration on Employment,

has adopted the following guidelines.

INTRODUCTION

1. It is imperative to give a new impulse for keeping employment firmly at the top of the political agenda of the Union. EMU and the Stability and Growth Pact will enhance the Internal Market and will foster a non-inflationary macro-economic environment with low interest rates, thereby strengthening conditions for economic growth and employment opportunities. In addition, we will need to strengthen the links between a successful and sustainable Economic and Monetary Union, a well- functioning Internal Market and employment. To that end, it should be a priority aim to develop a skilled, trained and adaptable workforce and to make labour markets responsive to economic change. Structural reforms need to be comprehensive in scope, as opposed to limited or occasional measures, so as to address in a coherent manner the complex issue of incentives in creating and taking up a job.

Economic and social policies are mutually reinforcing. Social protection systems should be modernized so as to strengthen their functioning in order to contribute to competitiveness, employment and growth, establishing a durable basis for social cohesion.

This approach, coupled with stability based policies, provides the basis for an economy founded on principles of inclusion, solidarity, justice and a sustainable environment, and capable of benefiting all its citizens. Economic efficiency and social inclusion are complementary aspects of the more cohesive European society that we all seek.

Taking account of this statement of principles, the European Council calls upon all the social and economic agents, including the national, regional and local authorities and the social partners, to face fully their responsibilities within their respective sphere of activity.

DEVELOPING THE ECONOMIC PILLAR

2. The Treaty, in particular Articles 102a and 103, provides for close co-ordination of the Member States' economic policies, referred to in Article 3a of the Treaty. While primary responsibility in the fight against unemployment rests with the Member States, we should recognize the need both to enhance the effectiveness and to broaden the content of this co-ordination, focusing in particular on policies for employment. To this end, several steps are necessary.

3. The broad guidelines of the economic policies will be enhanced and developed into an effective instrument for ensuring sustained convergence of the economic performances of the Member States. Within the framework of sound and sustainable macro-economic policies and on the basis of an evaluation of the economic situation in the EU and in each Member State, more attention will be given to improving European competitiveness as a prerequisite for growth and employment, so as to, among other objectives, bring more jobs within the reach of the citizens of Europe. In this context, special attention should be given to labour and product market efficiency, technological innovation and the potential for small and medium-sized enterprises to create jobs. Full attention should also be given to training and education systems including life-long learning, work incentives in the tax and benefit systems and reducing non-wage labour costs, in order to increase employability.

4. Taxation and social protection systems should be made more employment friendly and by that improving the functioning of labour markets. The European Council stresses the importance for the Member States of creating a tax environment that stimulates enterprise and the creation of jobs. These and other policies for employment will become an essential part of the broad guidelines, taking into account national employment policies and good practices arising from these policies.

5. The Council is therefore called upon to take the multi-annual employment programmes, as envisaged in the Essen procedure, into account when formulating the broad guidelines, in order to strengthen their employment focus. The Council may make the necessary recommendations to the Member States, in accordance with Article 103 (4) of the Treaty.

6. This enhanced co-ordination of economic policies will complement the procedure as envisaged in the new Title on Employment in the Treaty, which provides for the creation of an Employment Committee, which is asked to work together closely with the Economic Policy Committee. The Council should seek to make those provisions immediately effective. In both procedures the European Council will play its integrating and guiding role, in accordance with the Treaty.

7. The European Union should complement national measures by systematically examining all relevant existing Community policies, including Trans-European Networks and Research and Development programmes, to ensure that they are geared towards job creation and economic growth, while respecting the Financial Perspectives and the Inter-Institutional Agreement.

8. The European Council has agreed concrete action on making maximum progress with the final completion of the Internal Market: making the rules more effective, dealing with the key remaining market distortions, avoiding harmful tax competition, removing the sectoral obstacles to market integration and delivering an Internal Market for the benefit of all citizens.

9. Whereas the task of the European Investment Bank, as stated in Article 198e of the Treaty, is to contribute, by having recourse to the capital market and utilizing its own resources, to the balanced and steady development of the common market in the interest of the Community, we recognize the important role of the European Investment Bank and the European Investment Fund in creating employment through investment opportunities in Europe. We urge the EIB to step up its activities in this respect, promoting investment projects consistent with sound banking principles and practices, and more in particular:

- to examine the establishment of a facility for the financing of high-technology projects of small and medium-sized enterprises in cooperation with the European Investment Fund, possibly making use of venture capital with involvement of the private banking sector ;
- to examine its scope of intervention in the areas of education, health, urban environment and environmental protection ;
- to step up its interventions in the area of large infrastructure networks by examining the possibility of granting very long-terms loans, primarily for the large priority projects adopted in Essen.

10. The Commission is invited to make the appropriate proposals in order to ensure that, upon expiration of the ECSC Treaty in 2002, to use the revenues of outstanding reserves for a research fund for sectors related to the coal and steel industry.

11. This overall strategy will maximize our efforts to promote employment and social inclusion and to combat unemployment. In doing so, job promotion, worker protection and security will be combined with the need for improving the functioning of labour markets. This also contributes to the good functioning of EMU.

RENEWED COMMITMENT

12. The European Council invites all parties, namely the Member States, the Council and the Commission, to implement these provisions with vigour and commitment. The possibilities offered to social partners by the Social Chapter, which has been integrated into the new Treaty, should serve to underpin the Council's work on employment. The European Council recommends social dialogue and the full use of present Community law concerning the

consultation of social partners, including, where relevant, in processes of restructuring, and taking into account national practices.

13. Together, these policies allow the Member States to build on the strengths of the European construction to co-ordinate their economic policies effectively within the Council so as to create more jobs and pave the way for a successful and sustainable stage three of Economic and Monetary Union in accordance with the Treaty. The European Council asks social partners to fully face their responsibilities within their respective sphere of activity.

ANNEX II

RESOLUTION OF THE EUROPEAN COUNCIL on the establishment of an exchange-rate mechanism in the third stage of economic and monetary union

Amsterdam, 16 June 1997

Building on the agreements reached at its meetings in Florence and Dublin, the European Council has today agreed as follows :

**AN EXCHANGE RATE MECHANISM WILL BE SET UP WHEN THE THIRD STAGE OF
ECONOMIC AND MONETARY UNION BEGINS ON 1 JANUARY 1999.**

With the start of the third stage of economic and monetary union, the European Monetary System will be replaced by the exchange-rate mechanism as defined in this Resolution. The operating procedures will be laid down in an agreement between the European Central Bank and the national central banks of the Member States outside the euro area.

The exchange-rate mechanism will link currencies of Member States outside the euro area to the euro. The euro will be the centre of the new mechanism. The mechanism will function within the requisite framework of stability-oriented policies in accordance with the EC Treaty which are at the core of economic and monetary union.

1. PRINCIPLES AND OBJECTIVES

1.1. Lasting convergence of economic fundamentals is a prerequisite for sustainable exchange-rate stability. To this end, in the third stage of economic and monetary union all Member States must pursue disciplined and responsible monetary policies directed towards price stability. Sound fiscal and structural policies in all Member States are, at least, equally essential for sustainable exchange-rate stability.

1.2. A stable economic environment is necessary for the good functioning of the single market and for higher investment, growth and employment and is therefore in the interest of all Member States. The single market must not be endangered by real exchange-rate misalignments, or by excessive nominal exchange-rate fluctuations between the euro and the other EU currencies, which would disrupt trade flows between Member States. Moreover, under Article 109m of the Treaty each Member State has an obligation to treat its exchange-rate policy as a matter of common interest. The surveillance of Member States' macroeconomic policies in the Council under Article 103 of the EC Treaty will be organized, inter alia, with a view to avoiding such misalignments or fluctuations.

1.3. The exchange-rate mechanism will help to ensure that Member States outside the euro-area participating in the mechanism orient their policies to stability, foster convergence and thereby help them in their efforts to adopt the euro. It will provide those Member States with a reference for their conduct of sound economic policies in general and monetary policy in particular. At the same time, the mechanism will also help to protect them and the Member States adopting the euro from unwarranted pressures in the foreign-exchange markets. In such cases, it may assist Member States outside the euro area participating in it, when their currencies come under pressure, to combine appropriate policy responses, including interest-rate measures, with coordinated intervention.

1.4. It will also help to ensure that Member States seeking to adopt the euro after 1 January 1999 receive treatment equal to that of those initially adopting the euro with respect to the fulfilment of the convergence criteria.

1.5. The exchange-rate mechanism will function without prejudice to the primary objective of the European Central Bank and the national central banks to maintain price stability. It should be ensured that any adjustment of central rates is conducted in a timely fashion so as to avoid significant misalignments.

1.6. Participation in the exchange-rate mechanism will be voluntary for the Member States outside the euro area. Nevertheless, Member States with a derogation can be expected to join the mechanism. A Member State which does not participate from the outset in the exchange-rate mechanism may participate at a later date.

1.7. The exchange-rate mechanism will be based on central rates against the euro. The standard fluctuation band will be relatively wide. Through the implementation of stability-oriented economic and monetary policies, the central rates will remain the focus for the Member States outside the euro area participating in the mechanism.

1.8. Furthermore, sufficient flexibility is allowed, in particular to accommodate the varying degrees, paces and strategies of economic convergence of Member States outside the euro area joining the mechanism. Exchange-rate policy co-operation may be further strengthened, for example by allowing closer exchange-rate links between the euro and other currencies in the exchange-rate mechanism, where, and to the extent that, these are appropriate in the light of progress towards convergence. The existence of such closer links, particularly if it implied

narrower fluctuation bands, would be without prejudice to the interpretation of the exchange-rate criterion of Treaty Article (EC) 109j.

2. MAIN FEATURES

2.1. A central rate against the euro will be defined for the currency of each Member State outside the euro area participating in the exchange-rate mechanism. There will be one standard fluctuation band of plus or minus 15% around the central rates. Intervention at the margins will in principle be automatic and unlimited, with very short-term financing available. However, the ECB and the central banks of the other participants could suspend intervention if this were to conflict with their primary objective. In their decision they would take due account of all relevant factors and in particular of the need to maintain price stability and the credible functioning of the exchange-rate mechanism.

2.2. As is made clear in the agreement laying down the operating procedures of the exchange-rate mechanism which is expected to be concluded between the European Central Bank and the national central banks, the flexible use of interest rates will be an important feature of the mechanism and there will be the possibility of co-ordinated intra-marginal intervention.

2.3. Decisions on central rates and the standard fluctuation band shall be taken by mutual agreement of the ministers of the euro-area Member States, the ECB and the ministers and central bank governors of the non-euro area Member States participating in the new mechanism, following a common procedure involving the European Commission, and after consultation of the Economic and Financial Committee. The ministers and governors of the central banks of the Member States not participating in the exchange-rate mechanism will take part but will not have the right to vote in the procedure. All parties to the mutual agreement, including the ECB, will have the right to initiate a confidential procedure aimed at reconsidering central rates.

2.4 On a case-by-case basis, formally agreed fluctuation bands narrower than the standard one and backed up in principle by automatic intervention and financing may be set at the request of the non-euro area Member State concerned. Such a decision to narrow the band would be taken by the ministers of the euro-area Member States, the ECB and the minister and governor of the central bank of the non-euro area Member State concerned, following a common procedure involving the European Commission, and after consultation of the Economic and Financial Committee. The ministers and central bank governors of the other Member States will take part in the procedure, but will not have the right to vote.

2.5 The standard and narrower bands shall not prejudice the interpretation of the third indent of Article 109j(1) of the (EC) Treaty.

2.6 The details of the very short-term financing mechanism will be determined in the agreement between the ECB and the national central banks, broadly on the basis of the present arrangements. The European Monetary Institute has drafted such an agreement incorporating the

operating procedures required by this Resolution. The EMI will submit it to the ECB and to the central banks of the non-euro area Member States on the date of the establishment of the ECB.

ANNEX III

European Union call for Peace in the Middle East

The Heads of State or Government of the European Union call on the peoples and governments of the Middle East to renew the spirit of mutual confidence which, in Madrid in 1991 and in Oslo in 1993, raised hopes of a just, lasting and comprehensive peace. The peoples of Europe and the Middle East are linked by a common destiny, which was affirmed in 1995 at the Euro-Mediterranean Conference in Barcelona. In the knowledge of our common history, we invite the peoples of the Middle East to join the peoples of Europe in building a future of harmony, founded on shared principles. Peace is possible, necessary and a matter of urgency in the Middle East. Stagnation on the Palestinian, Syrian and Lebanese Tracks is a permanent threat to the security of all.

The foundations of peace are widely known : the right of all States and peoples in the region to live in peace within safe, recognized borders; respect for the legitimate aspiration of the Palestinian people to decide their own future; the exchange of land for peace; the non-acceptability of the annexation of territory by force; respect for human rights; the rejection of terrorism of all kinds; good relations between neighbours; and compliance with existing agreements and the rejection of counterproductive unilateral initiatives. In this context the Union recalls its opposition to settlements and attachment to security cooperation.

Four years ago, the mutual recognition of the Israeli and Palestinian peoples in Oslo opened up the path to their peaceful coexistence on the land they share. It is time to take concrete steps towards a lasting peace. We call upon the Israeli and Palestinian leadership to continue the negotiations to further the implementation of the Interim and Hebron Agreements and to resume talks on the Permanent Status. It is vital to abstain from unilateral actions prejudging the Permanent Status issues and to resume and maintain full security cooperation with the aim of fighting terrorism.

We call on the people of Israel to recognize the right of the Palestinians to exercise self-determination, without excluding the option of a State. The creation of a viable and peaceful sovereign Palestinian entity is the best guarantee of Israel's security. At the same time we call upon the Palestinian people to reaffirm their commitment to the legitimate right of Israel to live within safe, recognized borders.

The Union stresses its commitment to human rights, democracy and the fostering of civil society in the Arab-Israeli context. It condemns all breaches of those rights, whether it be abuses by security authorities, torture, suppression of freedom of speech and media, land-confiscations, extra-judicial killings, the deprivation of the right of residence or incitement to violence.

The European Union will continue through the efforts of its Special Envoy for the Middle East Peace Process, through its diplomatic relations and economic involvement, and through its relations of friendship and trust with the various parties, to work together with the United States, Russia and the relevant parties in the region and to ensure that the work of the peace builders is completed. The European Council asks the Council to continue its efforts together with the Special Envoy to move forward the Peace Process. It calls upon all the participants in the Peace Process to renew their efforts towards this end, specifically by supporting the recent initiative launched by President Mubarak.

ANNEX IV

European Council Declaration on banning the cloning of human beings

European Council notes that the growth of new technologies in the area of genetic engineering poses acute ethical problems. Among the most recent developments, cloning presents specific and very serious dangers.

Whilst recalling the great importance of research of this fundamental area, in particular for improving public health, and its willingness to pursue the support action carried out in this area by the European Community, the European Council is also determined to show increased vigilance as regards the dangers which may arise from an ethical viewpoint.

Considering in particular that the protection of the human being and respect for the integrity of the human being are essential principles to which no exception can be made, the European Council invites the Council and the Commission, when defining Community policies, in particular on research and intellectual property, and when implementing existing programmes, to consider how human cloning may be prevented. The European Council invites them, in carrying out this task, to call upon the expertise of the Group of Advisors on the Ethical Implications of Biotechnology which, in its opinion delivered on 29 May, stated that the cloning of human beings should be condemned unequivocally at European level.

The European Council also stresses the determination of the Member States, for their part, to take all measures necessary to prohibit human cloning.

Discussions are also in progress in several bodies, including UNESCO and the United Nations Commission of Human Rights. The Committee on Science and Technology of the Parliamentary Assembly of the Council of Europe has also expressed its interest in this issue. The European Council therefore calls on the European Union and the Member States to contribute to these discussions within the framework of their respective powers.

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1. Under Article 5 of Protocol 11, this obligation does not apply to the United Kingdom unless it moves to the third stage; the obligation under Article 109e (4) to endeavour to avoid excessive deficits shall continue to apply to the United Kingdom.