

FLORENCE EUROPEAN COUNCIL

21 and 22 JUNE 1996

PRESIDENCY CONCLUSIONS

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INTRODUCTION

At its meeting in Florence on 21 and 22 June 1996 the European Council, after beginning its proceedings with an exchange of views with the President of the European Parliament, Mr Klaus Hänsch, agreed on strategic guidelines on employment, growth and competitiveness, took further decisions on the preparation for the transition to Monetary Union, agreed on a number of issues in the fields of justice and home affairs and external relations and gave a fresh impetus to the Intergovernmental Conference.

The European Council considered that, in order to keep up the momentum and in view of the range of issues facing the Union in the coming period, it would be desirable to hold a special meeting of the European Council in October, and it welcomed the readiness of the incoming Irish Presidency to organise and host such a meeting.

It also took note of the important progress made in a number of fields such as culture and audiovisual matters, education and training, health, social policy and environment.



I. EMPLOYMENT AND GROWTH - AN INTEGRATED STRATEGY

The European Council considers that the level of unemployment is unacceptable and that the fight for employment must remain the top priority for the Union and its Member States.

Drawing on the strategy agreed in Essen and on the White Paper, the European Council held a detailed discussion on the subject of **growth and employment** on the basis of the Commission communication entitled "Action for employment in Europe: A confidence pact", the joint interim report on employment as well as the other documents before it, including the conclusions drawn from the Tripartite Conference on Growth and Employment held in Rome on 14 and 15 June 1996 and the French Memorandum on a European social model.

New impetus is to be given to the job-creation strategy and to its implementation by making use of the convergent approaches outlined in the contributions submitted. The institutions of the European Union, governments and regional and local authorities, and the social partners must all take practical action in favour of growth and employment in the context of an integrated approach. In line with the Commission's approach, an open and flexible process needs to be got under way which will enable all those concerned to enter into specific commitments at their own level of responsibility in order to create a macroeconomic framework favourable to employment, to exploit to the full the potential of the internal market, to speed up the labour market reforms and to make better use of the Union's policies in the interest of growth and employment.

The European Council subscribes to the broad guidelines for the economic policies of the Community and the Member States submitted by the Council and requests the latter to finalize them. It emphasizes that high and sustained non-inflationary economic growth over the medium term is essential to reduce significantly and durably the Community's unacceptably high level of unemployment and to combat the threat of social exclusion. It points out that credible, pre-announced and socially balanced efforts to reduce high budgetary imbalances will allow for a revival in confidence, for the transformation of the expected recovery into a durable, job-creating, medium-term, growth process and for a sound transition to EMU on 1 January 1999.

To this end, it calls on the Member States to step up their efforts at budgetary consolidation, taking account of the general principles already identified, and in particular the desirability of reducing expenditure rather than increasing revenue, making a selective restructuring of expenditure that encourages intangible investment in human capital and in research and development, innovation and the infrastructure essential to competitiveness, and giving priority to active policies for employment. In this context, the European Council also calls on the social partners to continue to promote a wages policy favourable to employment and competitiveness.

The European Council emphasizes once again the essential contribution made by the **internal market** to promoting growth and employment. It:

— calls on Member States to speed up the full implementation of the Directives concerning the internal market, in particular in the public procurement, investment services and insurance fields;

— asks the Council to expedite proceedings for the adoption of the Statute for a European company and the legal framework for biotechnological inventions and stresses the importance of the recent agreements within the Council on the internal electricity market and telecommunications and calls upon the Council to go further in the direction of the greater liberalisation in those sectors;

— calls on the Commission to submit the Council before the end of the year the initial results of its initiative on practical simplification measures (SLIM);

— requests the Council to adopt the new action plan for small and medium-sized enterprises (SME) before the end of 1996 to reinforce the potential for their further development so that they can benefit fully from the internal market and thus make a more effective contribution to the creation of jobs;

— calls on the Commission to draw up an action plan concerning the measures to be taken with regard to innovation;

— requests the Council to submit to it, before the European Council in Dublin, a report on the development of tax systems within the Union, taking account of the need to create a tax environment that stimulates enterprise and the creation of jobs and promote a more efficient environmental policy.

It stresses the importance of the recent agreement between the European Parliament and the Council concerning Community guidelines for the development of the **trans-European transport network** which complements the agreement reached in February 1996 in the energy sector. It takes note of the proposal by the Portuguese and Spanish governments to amend priority project No. 8 in list 1 from Essen for it to become the multimodal link between Portugal/Spain and the rest of Europe.

The European Council is convinced that the trans-European networks, the development of SMEs and scientific and technical research can make a vital contribution to job creation and competitiveness. In this context it takes note of the following proposals submitted by the President of the Commission :

— the coverage of the agricultural guideline will remain unchanged; the structural funds heading will also remain untouched;

— the expenditure commitment ceiling in heading 3 (internal policies) will be raised by ECU 1 billion over the period 1997-1999 and will be mainly intended for priority transport infrastructure networks. However, the related budgetary payments will be settled within the current limits of the overall ceiling previously agreed for actual expenditure (payment appropriations);

— this raising of the ceiling will be accompanied by a further effort to redeploy the available appropriations within heading 3 to help the sectors concerned, allowing an increase in the total available funds of ECU 1.2 billion.

The Council will consider these proposals, in conformity with the imperatives of budgetary rigour and in accordance with the relevant procedures.

The European Council notes the possibility to **focus structural policies more on job creation** as the Commission recommends, without jeopardizing the basic principles, the existing legal framework and the amounts of the structural funds. It subscribes notably to the priorities for the use of available margins for the support of small and medium-sized enterprises in partnership with the EIB and for the support of local employment initiatives. It

notes that the Commission will report on the application of these principles before the European Council in Dublin.

In order to promote a common effort in local job creation and development, the European Council invites each Member State, where possible, to select regions or cities which could act as candidates for pilot projects on **territorial and local employment pacts**, with a view to implementing such pacts in the course of 1997 with the partial support of the available margins under the structural policies. In this context, the Council looks forward to the conclusions of the Conference on Local Employment Initiatives being held by the Irish Presidency in November next. **Labour market reforms** should be accelerated as regards public employment services and training policies.

The social partners should be encouraged to take initiatives in order to enhance the integration of young people, of the long-term unemployed and of unemployed women into the labour market, to promote life-long training and to develop flexible work organization and working time. As far as the latter is concerned, the European Council notes with satisfaction that the social partners have now formally declared that they are ready to negotiate on this issue. Member States and, where appropriate, the social partners should examine social security systems in relation to job creation.

The European Council stresses the importance of equal opportunities for men and women and improvements in living conditions.

The European Council underlines the potential of the Information Society for education and training, for the organization of work and for employment creation.

The European Council underlines that the educational and training systems in the European Union will need to adapt profoundly. It takes note of the Commission's intention to present a proposal on the access to, and the recognition of, skills acquired from life-long learning. Similarly, it would welcome a study from the Commission on the role of apprenticeship in enhancing job creation. Moreover, it invites the Commission to rapidly work out an Action plan on the initiative "Learning in the Information Society".

The European Council stresses the importance of easing the integration of young people into working life and took note with interest in this context of the idea of European voluntary service.

The European Council takes note of the proceedings to introduce a system of common indicators which should make it possible to verify economic performance in terms of job creation and the operation of the labour market. It also takes note of the Commission proposal setting up an Employment and Labour Market Policy Committee, which the Council will consider without delay.

It anticipates that the annual joint report to the Dublin European Council will assess the implementation of national multiannual programmes and will set out the benefits derived from a coordinated approach regarding structural and economic measures. In addition, the Council will take stock of the initiative taken by the President of the Commission as regards a Confidence Pact.

The European Council asks the high-level group set up for the purpose to continue coordinating work undertaken in the field of employment and to examine in this context the other proposals contained in the French memorandum on a European social model.



II. ECONOMIC AND MONETARY UNION

The European Council welcomes the continuous progress made in the timely preparation for Stage 3 of EMU. It notes the progress in convergence and the efforts made to correct remaining imbalances in public finances. Hence, it confirms that stage 3 of EMU will begin on 1 January 1999, as agreed in Madrid which means that the evaluation foreseen in Article 109 j of the EC Treaty will not be necessary. It endorses the Progress Report by the ECOFIN Council held in Luxembourg on 3 June 1996, based on the fruitful Verona meeting, which focuses on budgetary discipline in Stage 3 and on relationships between participants and non-participants in the euro area.

The European Council urges the Council and, in their respective fields of competence, the Commission and the European Monetary Institute, to pursue their work on the new voluntary ERM, on the relations between Member States participating in the Euro area and non-participating Member States and on fiscal stability in Stage 3 of EMU with a view to presenting conclusions showing further substantive progress to the European Council in Dublin. In accordance with the Madrid European Council conclusions, the technical preparatory work for the legal framework for the euro should also be completed by the end of the year. The European Council invites the Commission to present the necessary proposals to that end, and the Council to report to the European Council in Dublin.



III. JUSTICE AND HOME AFFAIRS

The European Council has solved the final outstanding problem concerning the establishment of **EUROPOL** enabling the Court of Justice of the European Communities to give a preliminary ruling on the interpretation of the Europol Convention. It accordingly invites Member States to ratify the Convention and the Protocol in the very near future. In this context, it also asks the Council to consider as soon as possible a similar solution on the jurisdiction to be conferred on the Court for the interpretation of the conventions on the protection of financial interests and on the use of information technology for customs purposes (CIS).

The European Council stresses the vital importance of reinforced cooperation between Member States to **fight against drugs and organized crime**.

Considering the seriousness of the drugs problem, the European Council reiterates the importance of speedily completing the study about harmonisation of Member States' laws and the influence thereof on reducing consumption of and illicit trafficking in drugs. The follow-up seminar in March 1996 on the comparison and application of national drugs legislation

organized by the Presidency, the Commission and the European Parliament brings together the necessary material.

The European Council reaffirms that it will examine progress at the Dublin European Council on the application of the report of the Group of Experts on drugs which was approved at the Madrid European Council.

In particular, following the Franco-British initiative on the Caribbean now extended to Latin America, it calls upon the Council and the Commission, within the framework of their respective competence, to implement the recommendations on these regions, in cooperation where appropriate with the Union's American and Canadian partners. It also invites the Council and the Commission to complete rapidly the report requested in Madrid by identifying any remaining gaps to be filled in the Union's cooperation with Latin America to combat drugs. The European Council also stresses the need to intensify cooperation with Central and Eastern European countries and with Russia.

With regard to the Convention between the Member States of the Union on the crossing of their **external frontiers**, the European Council regrets that it has not been possible to resolve the remaining problems. It therefore asks that efforts to resolve these problems be stepped up so that work on the draft can be finalized by the end of the year.

The European Council welcomes the significant progress made towards adopting a Convention to facilitate **extradition** between the Member States, which is of the greatest importance in the fight against organized crime including terrorism. It requests the Council to do its utmost to ensure that the Convention is concluded by the end of June.

The European Council reaffirms the Union's determination to combat **racism and xenophobia** with the utmost resolve; it approves the principle underlying the establishment of a European Monitoring Centre. It asks the Council to examine the legal and budgetary conditions of the future Monitoring Centre as well as the links between the latter and the Council of Europe and to mandate the Consultative Commission on Racism and Xenophobia to continue its work until the Monitoring Centre is set up.



IV. SUBSIDIARITY

The European Council notes with satisfaction the interim report on the application of the principles of subsidiarity and proportionality. It calls on the Community institutions and the Member States to reinforce their action along these lines and looks forward to a full report by the Commission in Dublin.



V. THE INTERGOVERNMENTAL CONFERENCE

The European Council notes that proceedings to date in the Conference, on the basis of the Turin guidelines, have served to bring into focus the main issues at stake. The Conference proceedings in this initial stage are reflected in the report drawn up on the Presidency's authority, which, without pre-empting negotiations, assesses the situation for the incoming Presidency in preparation for further work.

The analysis of the issues is at present sufficiently advanced. The Conference can turn now to seeking balanced solutions to the main political issues raised. The European Council expects at its meeting in Dublin to mark decisive progress towards the respect of the timetable set in Turin, which implies completing the Conference by mid-1997.

In this perspective, the European Council asks that a general outline for a draft revision of the Treaties, be prepared by the Irish Presidency for the Dublin meeting, addressing in particular the following aims :

- bringing the Union closer to its citizens in particular by :

= living up to their expectations as regards the fulfilment of the objective of a high level of employment while ensuring social protection, examining how to provide the Union with the basis for a better cooperation and coordination in order to strengthen national policies; it should also be examined how the efforts of the governments as well as the social partners could be made more effective and better coordinated by the Treaty;

= making environmental protection more effective and coherent at the level of the Union in order to secure sustainable development;

= providing transparency and openness in the Union's work;

= strengthening European citizenship, without replacing national citizenship and while respecting the national identity and traditions of the Member States;

= respecting their fundamental rights;

= meeting their need for security, which implies improving substantially the means and the instruments against terrorism, organized crime and drug trafficking, as well as the policies on all aspects of asylum, on visas and on immigration with a view to a common judicial area in this context;

- strengthening and enlarging the scope of the Union's common foreign and security policy, which means in particular addressing, with the purpose of a greater consistency and efficiency:

= the most effective interplay of the various actors, in accordance with the role assigned to them by the Treaty, in preparing and implementing the Union's external action (European Council, Council, Commission, Presidency, Member States and, if appropriate, a new function in CFSP ;

= better coherence between a reformed CFSP and a strengthened external economic action;

- = decision-making procedures and conditions, including the possibility of whether the unanimity rule can be relaxed;
 - = means of ensuring swift and certain funding for the action decided on;
 - = the Union's security and defence dimension, and in particular the possibility of including in the Treaty objectives corresponding to the Petersberg tasks;
 - = closer links between the European Union and the WEU, also with a view to defining the question of their future relations following the results of the June NATO meeting in Berlin;
 - = a possible political solidarity clause;
- and, finally, assuring, also in view of enlargement, the good functioning of Institutions while respecting their balance, and the efficiency of the decision-making process, which means in particular addressing the following points:
- = for the Council: the scope of qualified-majority voting, the weighting of votes and the threshold for qualified-majority decision-making;
 - = for the Commission: the manner of appointing it and its composition;
 - = for the European Parliament: the procedures under which it participates in the legislative process and its political and watchdog role;
 - = for the European Court of Justice: improving its role and functioning;
 - = for the Union as a whole: means of ensuring proper application of the principle of subsidiarity; the question of adequacy of resources; further consideration of the scope and conditions for strengthened cooperation; and the question of the contribution by the national parliaments, either individually or collectively, to European integration.

Lastly, the European Council calls on the IGC to seek all possible ways of simplifying the Treaties so as to make the Union's goals and operation easier for the public to understand.



VI. BOVINE SPONGIFORM ENCEPHALOPATHY (BSE)

The European Council welcomes the paper from the Commission setting out its position on the framework for the eradication of BSE in cattle in the United Kingdom and for the restoration of a single market in beef. It agrees that the Commission document now enables the follow-up to go forward according to the procedures set out in it. The framework stipulates the action which the United Kingdom is taking, and is committed to take in the future, in order to accelerate the disappearance of the disease, which when in place will bring about a step by step relaxation of the current restrictions on the export of bovine products from the United Kingdom to the rest of the European Union and to third countries. It invites the Commission to present the appropriate decisions when it considers that the necessary conditions, based on scientific and technical advice, have been fulfilled. Such decisions will

be taken only and exclusively on the basis of public health and objective scientific criteria and of the judgment of the Commission, in accordance with the existing procedures, that these criteria have been satisfied.

The European Council points to the importance of adequate support for producers seriously affected by the fall in beef consumption and by the impact on market prices. The Commission has submitted an amending budget involving ECU 650 million plus a reserve of ECU 200 million available for allocation to support the beef market. The European Council, for its part, decides that funding of ECU 850 million will be devoted to supporting European livestock farmers seriously affected by this crisis.

The Presidency declared that if in the meantime a third country requests a supply of British beef exclusively for its domestic market the request will be examined by the Commission within the overall framework after consulting the appropriate scientific and veterinary committees.



VII. ENLARGEMENT

The European Council takes note of the Council's report on relations with the associated Central and Eastern European countries during the first half of 1996 and stresses the importance of the strategy for preparing for accession, which now incorporates Slovenia.

Recalling its Madrid conclusions, it reiterates the need for the Commission's opinions and reports on enlargement as called for at Madrid to be available as soon as possible after the completion of the Intergovernmental Conference so that the initial phase of negotiations with countries of Central and Eastern Europe can coincide with the beginning of negotiations with Cyprus and Malta six months after the end of the IGC, taking its results into account.



VIII. EXTERNAL ACTION BY THE UNION

The European Council adopted the attached declarations on Ex-Yougoslavia, the Middle East and Russia. It welcomed the signature in Florence of the Partnership and Cooperation Agreement with Uzbekistan and the framework Cooperation Agreement with Chile.

1. Turkey

The European Council, recalling the decisions of 6 March 1995, stresses the priority it attaches to the strengthening and deepening of relations with Turkey and looks forward to the early creation of the appropriate conditions for successfully holding the Association Council.

2. Middle East

The European Union appeals to the countries that have not yet decided to support the Peace Process to do so without delay.

In this context it looks in particular to Iran, with which it has just held a further session of the critical dialogue. The European Union expects this dialogue to lead to concrete results also in the areas of non-proliferation, terrorism and human rights, including Salman Rushdie.

The European Council, recalling in particular the meeting at Ministerial level held in Luxembourg on 22 April 1996, expresses satisfaction with the increased cooperation with the Gulf States.

3. Mediterranean

The European Council, underscoring the great importance it attaches to the Mediterranean dimension of the European Union, expresses satisfaction with the significant and balanced progress made in the first half of 1996 in implementing the Declaration on the Euro-Mediterranean partnership and the work programme through a wide range of meetings at all levels. It considers that the agreed action plan, aimed at gradually reaching a consensus on a number of initiatives in the field of preventive diplomacy, good-neighbourly relations and confidence and security measures, is an important result. It could also prepare the way for ultimately drawing up a Euro-Mediterranean pact designed to help consolidate an area of peace and stability in the Mediterranean.

The European Council underlines the importance of the MEDA regulation for the development of closer relations with the Mediterranean countries and calls upon the Council to do everything in its power to adopt the regulation as soon as possible.

4. Regional cooperation in Europe

The European Council recalls the importance of the Central European Initiative (CEI), welcomes its recent enlargement, and invites the Commission to submit a report to the European Council in Dublin on appropriate initiatives for more intensive cooperation. The European Council welcomes the various initiatives underway to strengthen cooperation in South-East Europe. In particular, it supports the implementation of the initiative on stability launched in Royaumont.

The European Council also expresses its satisfaction with the initiative for the Baltic Sea region which the Commission presented at the Conference of the Heads of Government in Visby. The European Council reiterates the importance of the effective implementation of the Union's strategy towards the Baltic Sea region, among other things in relation to the need to further develop the Union's relations with Russia.

5. Latin America and the Caribbean

The European Council notes with satisfaction that relations with Latin America and the Caribbean have increased significantly, notably by :

- the progress in relations with Mercosur;
- the Florence Solemn Declaration concerning the renewal of the San Jose process between the European Union and Central America, and the Cochabamba declaration;

- the forthcoming opening of negotiations with Mexico;
- the perspectives for relations with the Andean Community;
- the EU troika meeting with the ACP countries in the Caribbean in Kingston in May 1996.

The European Council regrets that political circumstances in Cuba have not allowed further progress in EU-Cuban relations. It hopes that developments in the political situation in Cuba will create the conditions necessary for such progress.

6. EU-US relations

The European Council heard a report by the Presidents of the European Council and of the Commission on the Summit between the European Union and the United States in Washington on 12 June 1996. It welcomed progress made in implementing the New Transatlantic Agenda and the joint EU-US Action Plan as set out in the report of the Senior Level Group and the priorities for the next six months.

Notwithstanding the positive developments and the achievements in the relationship between the two sides of the Atlantic, the European Council reiterates its deep concern over the extraterritorial effects of the "Cuban Liberty and Democratic Solidarity (Libertad) Act" adopted by the United States and similar pending legislation regarding Iran/Libya. In this respect, it asserts its right and intention to react in defence of the European Union's interest in respect to this legislation and any other secondary boycott legislation having extra-territorial effects.

7. Asia

The European Council salutes the first Asia-Europe Summit in Bangkok on 1-2 March, which marked a historical turning point in the relations between the two continents. It instructs the Council to give concrete follow-up to the political, economic and trade cooperation decided upon in Bangkok.

The European Council stresses the importance of developing a long-term policy of the Union towards China. In acknowledging the efforts made by China not only in restructuring its economy, but also in starting to develop the rule of Law, the European Council looks for more committed respect for human rights and fundamental freedoms. In this context, it affirms the Union's will to pursue a constructive dialogue with China.

8. Africa

The European Council remains concerned about the violence which continues to mark the Great Lakes Region and in particular Burundi. The European Union gives its full support to the peace efforts of the United Nations and the Organization of African Unity as well as regional leaders and other concerned personalities and, to this end it has appointed a Special Envoy for the Great Lakes Region. The European Council calls on all parties in Burundi to cooperate with former President Nyerere in his endeavours to find a path to peace acceptable to all. While welcoming these international efforts, it continues to support the convening of an international conference under the joint auspices of the UN and the Organization for African Unity in order to address within a global approach the root causes of the crises and to ensure respect for commitments.

The European Council supports the ongoing process of transition to democracy in Zaire aimed at holding free and democratic elections according to the framework and the timetable indicated by the institutions responsible for the transition. The European Union is ready to assist Zaire in the preparation and organisation of the elections.

The European Council acknowledges the interest in the initiative under examination in the Council on the possibility of a Euro-African Summit aimed at strengthening peace and democracy in Africa.

9. Security

The European Council underlines the growing importance of the security dimension in EU initiatives within the CFSP, notes with satisfaction the corresponding increasing emphasis on security in its dialogue with partners and welcomes the impulse given recently to EU-WEU relations which must be further developed. It welcomes the decisions taken by North-Atlantic Council in Berlin in June on developing the European Security and Defense Identity.

10. WTO

The European Council invites the Council to define as rapidly as possible the Commission's negotiating mandate for the Ministerial Conference in Singapore with regard both to the unfinished business and to the new subjects in order to achieve a satisfactory and balanced result for the European Community. It invites the Council to submit to it for its meeting in Dublin a report on the evolution of the trade policies and of the preferential agreements of the Community.



DECLARATION BY THE EUROPEAN COUNCIL ON FORMER YUGOSLAVIA

The European Council welcomes the progress registered in the first six months of implementation of the Peace Agreement in Bosnia and Herzegovina. It commends the significant achievements of the international institutions concerned and in particular of the High Representative, IFOR, the OSCE and the United Nations. It also recalls the considerable contribution made to the peace process by the European Union and by Member States individually, both in the military and the civilian field.

The European Council fully endorses the outcome of the Ministerial Meeting of the Peace Implementation Council held in Florence on 13 and 14 June. It supports in particular the recommendation of the Peace Implementation Council (PIC) that the elections in Bosnia and Herzegovina should take place on 14 September subject to the decision on certification to be taken by the OSCE. The European Council calls on the parties to adopt the necessary measures in fulfilment of their commitments, notably as regards freedom of movement and access to public media, including independent television, to ensure the conditions for free and fair elections. The European Union will contribute to the electoral process through the ECMM and on the basis of the Joint Action for the supervision of the elections adopted by the General

Affairs Council on 10 June. Successful elections will allow the establishment and development of new political institutions in the country as specified in the Peace Agreement. This is essential for the consolidation of a united, democratic State of Bosnia and Herzegovina. The European Council stresses that the Federation is an essential element for the achievement of such an objective and rejects any attempt to revive Herzeg-Bosna governmental structures.

The European Council underlines the importance of the elections in Mostar, due to take place on 30 June, and calls on all parties to fully commit themselves to support the electoral process. Following successful elections, and provided that the newly elected leaderships show genuine commitment to the reunification of the city and cooperation with the European Union Administration of Mostar, the European Union will consider extending the mandate of the EUAM for a further limited period before the reintegration of the city into the implementation structures of the Peace Agreement.

The European Council underlines the need for full cooperation by all parties with the International Criminal Tribunal for Former Yugoslavia and will join the international community in monitoring compliance in this area very closely. The European Council recalls that the Peace Agreement excludes those indicted by ICTY from running for office. To this end, it reiterates the demand of the PIC on 14 June for Mr Karadzic's removal from the political scene.

The European Union regards reconstruction as a crucial element in fostering reconciliation and promoting a progressive return to normal life in Bosnia and Herzegovina. The European Union, which contributes significantly to international financial aid, will continue to support the economic recovery and rehabilitation of the country. No party will be discriminated against in this respect, provided that it fully complies with its obligations under the Peace Agreement. The readiness of the countries of origin to allow the return of all refugees is regarded by the EU as one of the criteria for participation in the reconstruction and development programmes.

The European Union will develop its relations with the countries of the area according to the approach adopted by the General Affairs Council of 26 February and presented to the Governments of the region by the President of the Council and the President of the Commission during their joint visit to the region on 7-8 June.

The European Council recalls the Presidency's Declaration of 9 April on the recognition of the Federal Republic of Yugoslavia. It expresses the hope that further steps by the Belgrade authorities in the fields indicated in this Declaration, notably as regards Kosovo, will allow the development of good relations with the FRY, as well as the improvement of Belgrade's position within the international community.

The European Council expresses satisfaction with the signing of the Agreement on Sub-Regional Arms Control on 14 June in Florence. It calls on the parties to take the necessary steps to implement this agreement, which would facilitate the opening of the next round of negotiations on regional arms control. The European Council reminds the parties that the international community will insist upon proper implementation and verification of the Agreement, in order to ensure that there can be no return to conflict in former Yugoslavia.

The European Council welcomes the valuable progress which has been made in the implementation of the Basic Agreement of 12 November 1995 on Eastern Slavonia and commends the efforts undertaken to this end by the United Nations Transitional Administration. The European Union will support the economic recovery and rehabilitation of Eastern Slavonia. The European Council registers with satisfaction the results of the demilitarization process and calls on the parties to implement peacefully all other provisions of the Basic Agreement including by ensuring full respect for human rights and fundamental freedoms, the right of return of refugees and the multi-ethnic character of the region.



DECLARATION BY THE EUROPEAN COUNCIL ON THE MIDDLE EAST PEACE PROCESS

1. The European Council strongly reaffirms that peace in the Middle East region is a fundamental interest of the European Union. The Peace Process is the only path to security and peace for Israel, the Palestinians and the neighbouring states. The European Union remains dedicated to supporting it. Alongside the Co-Sponsors, the European Union's aim is that Israel and its neighbours may live within secure, recognised and guaranteed borders and the legitimate rights of the Palestinians shall be respected.
2. The European Union encourages all parties likewise to re-engage themselves in the Peace Process, to respect and implement fully all the agreements already reached and to resume negotiations as soon as possible on the basis of the principles already accepted by all parties under the Madrid and Oslo frameworks. These cover all the issues on which the parties have agreed to negotiate, including Jerusalem, noting its importance for the parties and the international community, not least the need to respect the established rights of religious institutions.
3. The European Union recalls the essential principles on which successful conclusion of the negotiations should be based. They have been enshrined in United Nations Security Council Resolutions 242, 338 and 425. The key principles - self-determination for the Palestinians, with all that it implies, and land for peace - are essential to the achievement of a just, comprehensive and durable peace.
4. On this basis the European Union will continue to support the early resumption of the final status negotiations which opened on 5 May and the negotiations between Israel and Syria as well as the opening of negotiations between Israel and Lebanon, fully respecting the territorial integrity, independence and sovereignty of Lebanon. The European Union remains committed to supporting the ceasefire between Israel and Lebanon.
5. The European Union considers important the commitments the parties have made regarding security. It welcomes the cooperation which the Palestinian Authority has extended to Israel in this field. It condemns all acts of terrorism and will continue to support the parties in their fight against it, its perpetrators and its political, economic and social causes.
6. The European Union recognises the serious effects which the recent border closures are having on the Palestinian economy. It acknowledges the recent partial easing of the closure. While recognising Israel's security needs, it encourages Israel to lift completely the remaining restrictions.

7. The European Union appeals to all parties in the region to avoid and prevent actions which would prejudice the successful resumption of negotiations and thereby impede the course of the Peace Process.
8. The European Union pays tribute to the leaders in the region who have chosen the path of peace. It will continue to do everything possible to ensure that the work already begun is pursued and brought to its conclusion.



DECLARATION BY THE EUROPEAN COUNCIL ON RUSSIA

The European Council reaffirms the firm determination of the European Union to continue to support the reform process in Russia. Mindful of the many challenges of common concern, the European Council looks forward to the full and constructive participation, in addressing them, of a democratic Russia sharing the same values. The European Council welcomes the holding of the first round of the presidential elections in Russia demonstrating a firm commitment to democracy. The successful completion of these elections and the consolidation of democracy in Russia will contribute to strengthening peace, stability and security in Europe. The European Council hopes that this will provide an even better basis for the continued development of relations between the European Union and Russia.

The European Council reiterates the fundamental importance it attaches to the continued development of a close relationship and substantial partnership between the European Union and Russia and calls for the early ratification of the Partnership and Cooperation Agreement (PCA) which constitutes the basis of this relationship, so that it can enter into force as soon as possible.

Accordingly, the European Council welcomes the steady improvement in relations marked notably by the entry into force of the Interim Agreement on 1 February 1996 and the adoption of the Action Plan by the Council of 13 May 1996. This Action Plan, which covers support for the democratic process, economic cooperation, security and foreign relations aspects and justice and home affairs, will be implemented promptly and efficiently in full cooperation with the Russian authorities. It provides the basis for continuing fruitful cooperation and the strengthening of relations between the European Union and Russia. The TACIS programme is an important element in promoting economic transition and democracy in Russia and a useful help in implementing the action plan.

The European Council considers the accession of Russia to the Council of Europe a further step towards the consolidation of democratic principles and human rights in Russia.

The European Union underlines its interest in the full involvement of Russia in the development of a comprehensive European security architecture in which Russia has its due place and intends to contribute to that objective. It accordingly encourages the continuing dialogue with Russia in the European security institutions, and notably between Russia and NATO. It notes with satisfaction Russia's cooperation on European and international issues, including in the implementation of the Dayton/Paris Peace Agreements and its contribution to IFOR .

**The following additional documents will be annexed to the Presidency conclusions
(Florence, 21 and 22 June 1996)**

- Progress report by the ECOFIN Council to the European Council on preparation for Stage 3 of EMU (7940/96)
- Conclusions by the Chairman of the Tripartite Conference on Growth and Employment (Rome, 14/15 June 1996) (8315/96)
- Report from the Council on relations with the associated CCEE during the first half of 1996 (8169/96 PECOS 81)
- Joint Presidency/Commission report on the follow-up to the Barcelona Conference (7987/96 + ADD 1 + ADD 2 (f/en))
- European Union's action plan for Russia (6440/96 + COR 1)
- Declaration by the President following the first Asia/Europe meeting (ASEM) held in Bangkok on 1/2 March 1996 (5576/96)
- Declaration on the European University Institute in Florence (SN 216/96 REV .1)
- Progress report from the Presidency on the Intergovernmental Conference (CONF 3860/1/96 REV 1).