

PRESIDENCY CONCLUSIONS

LISBON EUROPEAN COUNCIL

23 AND 24 MARCH 2000

The European Council held a special meeting on 23-24 March 2000 in Lisbon to agree a new strategic goal for the Union in order to strengthen employment, economic reform and social cohesion as part of a knowledge-based economy. At the start of proceedings, an exchange of views was conducted with the President of the European Parliament, Mrs Nicole Fontaine, on the main topics for discussion.

I. EMPLOYMENT, ECONOMIC REFORM AND SOCIAL COHESION

A STRATEGIC GOAL FOR THE NEXT DECADE

The new challenge

1. The European Union is confronted with a quantum shift resulting from globalisation and the challenges of a new knowledge-driven economy. These changes are affecting every aspect of people's lives and require a radical transformation of the European economy. The Union must shape these changes in a manner consistent with its values and concepts of society and also with a view to the forthcoming enlargement.

2. The rapid and accelerating pace of change means it is urgent for the Union to act now to harness the full benefits of the opportunities presented. Hence the need for the Union to set a clear strategic goal and agree a challenging programme for building knowledge infrastructures, enhancing innovation and economic reform, and modernising social welfare and education systems.

The Union's strengths and weaknesses

3. The Union is experiencing its best macro-economic outlook for a generation. As a result of stability-oriented monetary policy supported by sound fiscal policies in a context of wage moderation, inflation and interest rates are low, public sector deficits have been reduced remarkably and the EU's balance of payments is healthy. The euro has been successfully introduced and is delivering the expected benefits for the European economy. The internal market is largely complete and is yielding tangible benefits for consumers and businesses alike. The forthcoming enlargement will create new opportunities for growth and employment. The Union possesses a generally well-educated workforce as well as social protection systems able to

provide, beyond their intrinsic value, the stable framework required for managing the structural changes involved in moving towards a knowledge-based society. Growth and job creation have resumed.

4. These strengths should not distract our attention from a number of weaknesses. More than 15 million Europeans are still out of work. The employment rate is too low and is characterised by insufficient participation in the labour market by women and older workers. Long-term structural unemployment and marked regional unemployment imbalances remain endemic in parts of the Union. The services sector is underdeveloped, particularly in the areas of telecommunications and the Internet. There is a widening skills gap, especially in information technology where increasing numbers of jobs remain unfilled. With the current improved economic situation, the time is right to undertake both economic and social reforms as part of a positive strategy which combines competitiveness and social cohesion.

The way forward

5. The Union has today set itself a new strategic goal for the next decade: to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion. Achieving this goal requires an overall strategy aimed at:

- preparing the transition to a knowledge-based economy and society by better policies for the information society and R&D, as well as by stepping up the process of structural reform for competitiveness and innovation and by completing the internal market;
- modernising the European social model, investing in people and combating social exclusion;
- sustaining the healthy economic outlook and favourable growth prospects by applying an appropriate macro-economic policy mix.

6. This strategy is designed to enable the Union to regain the conditions for full employment, and to strengthen regional cohesion in the European Union. The European Council needs to set a goal for full employment in Europe in an emerging new society which is more adapted to the personal choices of women and men. If the measures set out below are implemented against a sound macro-economic background, an average economic growth rate of around 3% should be a realistic prospect for the coming years.

7. Implementing this strategy will be achieved by improving the existing processes, introducing a new open method of coordination at all levels, coupled with a stronger guiding and coordinating role for the European Council to ensure more coherent strategic direction and effective monitoring of progress. A meeting of the European Council to be held every Spring will define the relevant mandates and ensure that they are followed up.

PREPARING THE TRANSITION TO A COMPETITIVE, DYNAMIC AND KNOWLEDGE-BASED ECONOMY

An information society for all

8. The shift to a digital, knowledge-based economy, prompted by new goods and services, will be a powerful engine for growth, competitiveness and jobs. In addition, it will be capable of improving citizens' quality of life and the environment. To make the most of this opportunity, the Council and the Commission are invited to draw up a comprehensive eEurope Action Plan to be presented to the European Council in June this year, using an open method of coordination based on the benchmarking of national initiatives, combined with the Commission's recent eEurope initiative as well as its communication "Strategies for jobs in the Information Society".

9. Businesses and citizens must have access to an inexpensive, world-class communications infrastructure and a wide range of services. Every citizen must be equipped with the skills needed to live and work in this new information society. Different means of access must prevent info-exclusion. The combat against illiteracy must be reinforced. Special attention must be given to disabled people. Information technologies can be used to renew urban and regional development and promote environmentally sound technologies. Content industries create added value by exploiting and networking European cultural diversity. Real efforts must be made by public administrations at all levels to exploit new technologies to make information as accessible as possible.

10. Realising Europe's full e-potential depends on creating the conditions for electronic commerce and the Internet to flourish, so that the Union can catch up with its competitors by hooking up many more businesses and homes to the Internet via fast connections. The rules for electronic commerce must be predictable and inspire business and consumer confidence. Steps must be taken to ensure that Europe maintains its lead in key technology areas such as mobile communications. The speed of technological change may require new and more flexible regulatory approaches in the future.

11. The European Council calls in particular on:

- the Council, along with the European Parliament where appropriate, to adopt as rapidly as possible during 2000 pending legislation on the legal framework for electronic commerce, on copyright and related rights, on e-money, on the distance selling of financial services, on jurisdiction and the enforcement of judgements, and the dual-use export control regime; the Commission and the Council to consider how to promote consumer confidence in electronic commerce, in particular through alternative dispute resolution systems;

- the Council and the European Parliament to conclude as early as possible in 2001 work on the legislative proposals announced by the Commission following its 1999 review of the telecoms regulatory framework; the Member States and, where appropriate, the Community to ensure that the frequency requirements for future mobile communications systems are met in a timely and efficient manner. Fully integrated and liberalised telecommunications markets should be completed by the end of 2001;

- the Member States, together with the Commission, to work towards introducing greater competition in local access networks before the end of 2000 and unbundling

the local loop in order to help bring about a substantial reduction in the costs of using the Internet;

- the Member States to ensure that all schools in the Union have access to the Internet and multimedia resources by the end of 2001, and that all the teachers needed are skilled in the use of the Internet and multimedia resources by the end of 2002;

- the Member States to ensure generalised electronic access to main basic public services by 2003;

- the Community and the Member States, with the support of the EIB, to make available in all European countries low cost, high-speed interconnected networks for Internet access and foster the development of state-of-the-art information technology and other telecom networks as well as the content for those networks. Specific targets should be defined in the eEurope Action Plan.

Establishing a European Area of Research and Innovation

12. Given the significant role played by research and development in generating economic growth, employment and social cohesion, the Union must work towards the objectives set out in the Commission's communication "Towards a European Research Area". Research activities at national and Union level must be better integrated and coordinated to make them as efficient and innovative as possible, and to ensure that Europe offers attractive prospects to its best brains. The instruments under the Treaty and all other appropriate means, including voluntary arrangements, must be fully exploited to achieve this objective in a flexible, decentralised and non-bureaucratic manner. At the same time, innovation and ideas must be adequately rewarded within the new knowledge-based economy, particularly through patent protection.

13. The European Council asks the Council and the Commission, together with the Member States where appropriate, to take the necessary steps as part of the establishment of a European Research Area to:

- develop appropriate mechanisms for networking national and joint research programmes on a voluntary basis around freely chosen objectives, in order to take greater advantage of the concerted resources devoted to R&D in the Member States, and ensure regular reporting to the Council on the progress achieved; to map by 2001 research and development excellence in all Member States in order to foster the dissemination of excellence;

- improve the environment for private research investment, R&D partnerships and high technology start-ups, by using tax policies, venture capital and EIB support;

- encourage the development of an open method of coordination for benchmarking national research and development policies and identify, by June 2000, indicators for assessing performance in different fields, in particular with regard to the development of human resources; introduce by June 2001 a European innovation scoreboard;

- facilitate the creation by the end of 2001 of a very high-speed transeuropean network for electronic scientific communications, with EIB support, linking research institutions and universities, as well as scientific libraries, scientific centres and, progressively, schools;

- take steps to remove obstacles to the mobility of researchers in Europe by 2002 and to attract and retain high-quality research talent in Europe;

- ensure that a Community patent is available by the end of 2001, including the utility model, so that Community-wide patent protection in the Union is as simple and inexpensive to obtain and as comprehensive in its scope as the protection granted by key competitors.

Creating a friendly environment for starting up and developing innovative businesses, especially SMEs

14. The competitiveness and dynamism of businesses are directly dependent on a regulatory climate conducive to investment, innovation, and entrepreneurship. Further efforts are required to lower the costs of doing business and remove unnecessary red tape, both of which are particularly burdensome for SMEs. The European institutions, national governments and regional and local authorities must continue to pay particular attention to the impact and compliance costs of proposed regulations, and should pursue their dialogue with business and citizens with this aim in mind. Specific action is also needed to encourage the key interfaces in innovation networks, i.e. interfaces between companies and financial markets, R&D and training institutions, advisory services and technological markets.

15. The European Council considers that an open method of coordination should be applied in this area and consequently asks:

- the Council and the Commission to launch, by June 2000, a benchmarking exercise on issues such as the length of time and the costs involved in setting up a company, the amount of risk capital invested, the numbers of business and scientific graduates and training opportunities. The first results of this exercise should be presented by December 2000;

- the Commission to present shortly a communication on an entrepreneurial, innovative and open Europe together with the Multiannual Programme in favour of Enterprise and Entrepreneurship for 2001-2005 which will play an important role as catalyst for this exercise;

- the Council and the Commission to draw up a European Charter for small companies to be endorsed in June 2000 which should commit Member States to focus in the abovementioned instruments on small companies as the main engines for job-creation in Europe, and to respond specifically to their needs;

- the Council and the Commission to report by the end of 2000 on the ongoing review of EIB and EIF financial instruments in order to redirect funding towards support for business start-ups, high-tech firms and micro-enterprises, as well as other risk-capital initiatives proposed by the EIB.

Economic reforms for a complete and fully operational internal market

16. Rapid work is required in order to complete the internal market in certain sectors and to improve under-performance in others in order to ensure the interests of business and consumers. An effective framework for ongoing review and improvement, based on the Internal Market Strategy endorsed by the Helsinki European Council, is also essential if the full benefits of market liberalisation are to be reaped. Moreover, fair and uniformly applied competition and state aid rules are essential for ensuring that businesses can thrive and operate effectively on a level playing field in the internal market.

17. The European Council accordingly asks the Commission, the Council and the Member States, each in accordance with their respective powers:

- to set out by the end of 2000 a strategy for the removal of barriers to services;
- to speed up liberalisation in areas such as gas, electricity, postal services and transport. Similarly, regarding the use and management of airspace, the Council asks the Commission to put forward its proposals as soon as possible. The aim is to achieve a fully operational internal market in these areas; the European Council will assess progress achieved when it meets next Spring on the basis of a Commission report and appropriate proposals;
- to conclude work in good time on the forthcoming proposals to update public procurement rules, in particular to make them accessible to SMEs, in order to allow the new rules to enter into force by 2002;
- to take the necessary steps to ensure that it is possible by 2003 for Community and government procurement to take place on-line;
- to set out by 2001 a strategy for further coordinated action to simplify the regulatory environment, including the performance of public administration, at both national and Community level. This should include identifying areas where further action is required by Member States to rationalise the transposition of Community legislation into national law;
- to further their efforts to promote competition and reduce the general level of State aids, shifting the emphasis from supporting individual companies or sectors towards tackling horizontal objectives of Community interest, such as employment, regional development, environment and training or research.

18. Comprehensive structural improvements are essential to meet ambitious targets for growth, employment and social inclusion. Key areas have already been identified by the Council to be reinforced in the Cardiff process. The European Council accordingly invites the Council to step up work on structural performance indicators and to report by the end of 2000.

19. The European Council considers it essential that, in the framework of the internal market and of a knowledge-based economy, full account is taken of the Treaty provisions relating to services of general economic interest, and to the undertakings

entrusted with operating such services. It asks the Commission to update its 1996 communication based on the Treaty.

Efficient and integrated financial markets

20. Efficient and transparent financial markets foster growth and employment by better allocation of capital and reducing its cost. They therefore play an essential role in fuelling new ideas, supporting entrepreneurial culture and promoting access to and use of new technologies. It is essential to exploit the potential of the euro to push forward the integration of EU financial markets. Furthermore, efficient risk capital markets play a major role in innovative high-growth SMEs and the creation of new and sustainable jobs.

21. To accelerate completion of the internal market for financial services, steps should be taken:

- to set a tight timetable so that the Financial Services Action Plan is implemented by 2005, taking into account priority action areas such as: facilitating the widest possible access to investment capital on an EU-wide basis, including for SMEs, by means of a "single passport" for issuers; facilitating the successful participation of all investors in an integrated market eliminating barriers to investment in pension funds; promoting further integration and better functioning of government bond markets through greater consultation and transparency on debt issuing calendars, techniques and instruments, and improved functioning of cross-border sale and repurchase ("repo") markets; enhancing the comparability of companies' financial statements; and more intensive cooperation by EU financial market regulators;

- to ensure full implementation of the Risk Capital Action Plan by 2003;

- to make rapid progress on the long-standing proposals on takeover bids and on the restructuring and winding-up of credit institutions and insurance companies in order to improve the functioning and stability of the European financial market;

- to conclude, in line with the Helsinki European Council conclusions, the pending tax package.

Coordinating macro-economic policies: fiscal consolidation, quality and sustainability of public finances

22. As well as preserving macro-economic stability and stimulating growth and employment, macro-economic policies should foster the transition towards a knowledge-based economy, which implies an enhanced role for structural policies. The macro-economic dialogue under the Cologne process must create a relationship of trust between all the actors involved in order to have a proper understanding of each other's positions and constraints. The opportunity provided by growth must be used to pursue fiscal consolidation more actively and to improve the quality and sustainability of public finances.

23. The European Council requests the Council and the Commission, using the existing procedures, to present a report by Spring 2001 assessing the contribution of public finances to growth and employment, and assessing, on the basis of comparable data and indicators, whether adequate concrete measures are being taken in order to:

- alleviate the tax pressure on labour and especially on the relatively unskilled and low-paid, improve the employment and training incentive effects of tax and benefit systems;
- redirect public expenditure towards increasing the relative importance of capital accumulation – both physical and human – and support research and development, innovation and information technologies;
- ensure the long-term sustainability of public finances, examining the different dimensions involved, including the impact of ageing populations, in the light of the report to be prepared by the High Level Working Party on Social Protection.

MODERNISING THE EUROPEAN SOCIAL MODEL BY INVESTING IN PEOPLE AND BUILDING AN ACTIVE WELFARE STATE

24. People are Europe's main asset and should be the focal point of the Union's policies. Investing in people and developing an active and dynamic welfare state will be crucial both to Europe's place in the knowledge economy and for ensuring that the emergence of this new economy does not compound the existing social problems of unemployment, social exclusion and poverty.

Education and training for living and working in the knowledge society

25. Europe's education and training systems need to adapt both to the demands of the knowledge society and to the need for an improved level and quality of employment. They will have to offer learning and training opportunities tailored to target groups at different stages of their lives: young people, unemployed adults and those in employment who are at risk of seeing their skills overtaken by rapid change. This new approach should have three main components: the development of local learning centres, the promotion of new basic skills, in particular in the information technologies, and increased transparency of qualifications.

26. The European Council accordingly calls upon the Member States, in line with their constitutional rules, the Council and the Commission to take the necessary steps within their areas of competence to meet the following targets:

- a substantial annual increase in per capita investment in human resources;
- the number of 18 to 24 year olds with only lower-secondary level education who are not in further education and training should be halved by 2010;
- schools and training centres, all linked to the Internet, should be developed into multi-purpose local learning centres accessible to all, using the most appropriate

methods to address a wide range of target groups; learning partnerships should be established between schools, training centres, firms and research facilities for their mutual benefit;

- a European framework should define the new basic skills to be provided through lifelong learning: IT skills, foreign languages, technological culture, entrepreneurship and social skills; a European diploma for basic IT skills, with decentralised certification procedures, should be established in order to promote digital literacy throughout the Union;

- define, by the end of 2000, the means for fostering the mobility of students, teachers and training and research staff both through making the best use of existing Community programmes (Socrates, Leonardo, Youth), by removing obstacles and through greater transparency in the recognition of qualifications and periods of study and training; to take steps to remove obstacles to teachers' mobility by 2002 and to attract high-quality teachers.

- a common European format should be developed for curricula vitae, to be used on a voluntary basis, in order to facilitate mobility by helping the assessment of knowledge acquired, both by education and training establishments and by employers.

27. The European Council asks the Council (Education) to undertake a general reflection on the concrete future objectives of education systems, focusing on common concerns and priorities while respecting national diversity, with a view to contributing to the Luxembourg and Cardiff processes and presenting a broader report to the European Council in the Spring of 2001.

More and better jobs for Europe: developing an active employment policy

28. The Luxembourg process, based on drawing up employment guidelines at Community level and translating them into National Employment Action Plans, has enabled Europe to substantially reduce unemployment. The mid-term review should give a new impetus to this process by enriching the guidelines and giving them more concrete targets by establishing closer links with other relevant policy areas and by defining more effective procedures for involving the different actors. The social partners need to be more closely involved in drawing up, implementing and following up the appropriate guidelines.

29. In this context, the Council and the Commission are invited to address the following four key areas:

- improving employability and reducing skills gaps, in particular by providing employment services with a Europe-wide data base on jobs and learning opportunities; promoting special programmes to enable unemployed people to fill skill gaps;

- giving higher priority to lifelong learning as a basic component of the European social model, including by encouraging agreements between the social partners on innovation and lifelong learning; by exploiting the complementarity between lifelong learning and adaptability through flexible management of working time and job

rotation; and by introducing a European award for particularly progressive firms. Progress towards these goals should be benchmarked;

- increasing employment in services, including personal services, where there are major shortages; private, public or third sector initiatives may be involved, with appropriate solutions for the least-favoured categories;

- furthering all aspects of equal opportunities, including reducing occupational segregation, and making it easier to reconcile working life and family life, in particular by setting a new benchmark for improved childcare provision.

30. The European Council considers that the overall aim of these measures should be, on the basis of the available statistics, to raise the employment rate from an average of 61% today to as close as possible to 70% by 2010 and to increase the number of women in employment from an average of 51% today to more than 60% by 2010. Recognising their different starting points, Member States should consider setting national targets for an increased employment rate. This, by enlarging the labour force, will reinforce the sustainability of social protection systems.

Modernising social protection

31. The European social model, with its developed systems of social protection, must underpin the transformation to the knowledge economy. However, these systems need to be adapted as part of an active welfare state to ensure that work pays, to secure their long-term sustainability in the face of an ageing population, to promote social inclusion and gender equality, and to provide quality health services. Conscious that the challenge can be better addressed as part of a cooperative effort, the European Council invites the Council to:

- strengthen cooperation between Member States by exchanging experiences and best practice on the basis of improved information networks which are the basic tools in this field;

- mandate the High Level Working Party on Social Protection, taking into consideration the work being done by the Economic Policy Committee, to support this cooperation and, as its first priority, to prepare, on the basis of a Commission communication, a study on the future evolution of social protection from a long-term point of view, giving particular attention to the sustainability of pensions systems in different time frameworks up to 2020 and beyond, where necessary. A progress report should be available by December 2000.

Promoting social inclusion

32. The number of people living below the poverty line and in social exclusion in the Union is unacceptable. Steps must be taken to make a decisive impact on the eradication of poverty by setting adequate targets to be agreed by the Council by the end of the year. The High Level Working Party on Social Protection will be involved in this work. The new knowledge-based society offers tremendous potential for reducing social exclusion, both by creating the economic conditions for greater prosperity through higher levels of growth and employment, and by opening up new ways of participating in society. At the same time, it brings a risk of an ever-widening

gap between those who have access to the new knowledge, and those who are excluded. To avoid this risk and maximise this new potential, efforts must be made to improve skills, promote wider access to knowledge and opportunity and fight unemployment: the best safeguard against social exclusion is a job. Policies for combating social exclusion should be based on an open method of coordination combining national action plans and a Commission initiative for cooperation in this field to be presented by June 2000.

33. In particular, the European Council invites the Council and the Commission to:

- promote a better understanding of social exclusion through continued dialogue and exchanges of information and best practice, on the basis of commonly agreed indicators; the High Level Working Party on Social Protection will be involved in establishing these indicators;
- mainstream the promotion of inclusion in Member States' employment, education and training, health and housing policies, this being complemented at Community level by action under the Structural Funds within the present budgetary framework;
- develop priority actions addressed to specific target groups (for example minority groups, children, the elderly and the disabled), with Member States choosing amongst those actions according to their particular situations and reporting subsequently on their implementation.

34. Taking account of the present conclusions, the Council will pursue its reflection on the future direction of social policy on the basis of a Commission communication, with a view to reaching agreement on a European Social Agenda at the Nice European Council in December, including the initiatives of the different partners involved.

PUTTING DECISIONS INTO PRACTICE: A MORE COHERENT AND SYSTEMATIC APPROACH

Improving the existing processes

35. No new process is needed. The existing Broad Economic Policy Guidelines and the Luxembourg, Cardiff and Cologne processes offer the necessary instruments, provided they are simplified and better coordinated, in particular through other Council formations contributing to the preparation by the ECOFIN Council of the Broad Economic Policy Guidelines. Moreover, the Broad Economic Policy Guidelines should focus increasingly on the medium- and long-term implications of structural policies and on reforms aimed at promoting economic growth potential, employment and social cohesion, as well as on the transition towards a knowledge-based economy. The Cardiff and Luxembourg processes will make it possible to deal with their respective subject matters in greater detail.

36. These improvements will be underpinned by the European Council taking on a pre-eminent guiding and coordinating role to ensure overall coherence and the effective monitoring of progress towards the new strategic goal. The European

Council will accordingly hold a meeting every Spring devoted to economic and social questions. Work should consequently be organised both upstream and downstream from that meeting. The European Council invites the Commission to draw up an annual synthesis report on progress on the basis of structural indicators to be agreed relating to employment, innovation, economic reform and social cohesion.

Implementing a new open method of coordination

37. Implementation of the strategic goal will be facilitated by applying a new open method of coordination as the means of spreading best practice and achieving greater convergence towards the main EU goals. This method, which is designed to help Member States to progressively develop their own policies, involves:

- fixing guidelines for the Union combined with specific timetables for achieving the goals which they set in the short, medium and long terms;
- establishing, where appropriate, quantitative and qualitative indicators and benchmarks against the best in the world and tailored to the needs of different Member States and sectors as a means of comparing best practice;
- translating these European guidelines into national and regional policies by setting specific targets and adopting measures, taking into account national and regional differences;
- periodic monitoring, evaluation and peer review organised as mutual learning processes.

38. A fully decentralised approach will be applied in line with the principle of subsidiarity in which the Union, the Member States, the regional and local levels, as well as the social partners and civil society, will be actively involved, using variable forms of partnership. A method of benchmarking best practices on managing change will be devised by the European Commission networking with different providers and users, namely the social partners, companies and NGOs.

39. The European Council makes a special appeal to companies' corporate sense of social responsibility regarding best practices on lifelong learning, work organisation, equal opportunities, social inclusion and sustainable development.

40. A High Level Forum, bringing together the Union institutions and bodies and the social partners, will be held in June to take stock of the Luxembourg, Cardiff and Cologne processes and of the contributions of the various actors to enhancing the content of the European Employment Pact.

Mobilising the necessary means

41. Achieving the new strategic goal will rely primarily on the private sector, as well as on public-private partnerships. It will depend on mobilising the resources available on the markets, as well as on efforts by Member States. The Union's role is to act as a catalyst in this process, by establishing an effective framework for mobilising all available resources for the transition to the knowledge-based economy and by adding its own contribution to this effort under existing Community policies while

respecting Agenda 2000. Furthermore, the European Council welcomes the contribution that the EIB stands ready to make in the areas of human capital formation, SMEs and entrepreneurship, R&D, networks in the information technology and telecom sectors, and innovation. With the "Innovation 2000 Initiative", the EIB should go ahead with its plans to make another billion euro available for venture capital operations for SMEs and its dedicated lending programme of 12 to 15 billion euro over the next 3 years for the priority areas.

II. COMMON EUROPEAN SECURITY AND DEFENCE POLICY

42. The European Council has welcomed the Presidency's preliminary report on "Strengthening the Common European Security and Defence Policy" which reflects the work carried forward by the Presidency, together with the Secretary-General/High Representative, within the General Affairs Council in accordance with the remit from Helsinki.

43. The European Council welcomes in particular the fact that the interim bodies foreseen at Helsinki have now been established and are starting to function effectively and that the Council has identified a process for elaborating the headline goal and identifying national contributions so as to meet the military capability target set at Helsinki.

44. The European Council looks forward to the further work that the Presidency, together with the Secretary-General/High Representative, will pursue in the Council and to the Presidency's overall report to the Feira European Council, as called for at Helsinki, including proposals on the involvement of third countries in EU military crisis management and the further development of the EU's relationship with NATO in conformity with the Helsinki European Council conclusions.

45. The European Council furthermore appreciates what has so far been achieved in the non-military crisis management track. It invites the Council to establish by or at Feira a Committee for Civilian Crisis Management.

III. WESTERN BALKANS

46. The European Council reaffirms that the peace, prosperity and stability of South East Europe are a strategic priority for the European Union. The European Council notes the progress achieved over the past year but also the serious challenges which the international community still faces in the Western Balkans. The European Council welcomes the report submitted by the Secretary-General/High Representative, together with the Commission, on the Western Balkans.

47. The European Council confirms that its overall objective remains the fullest possible integration of the countries of the region into the political and economic mainstream of Europe. The European Council confirms that the Stabilisation and Association Process is the centrepiece of its policy in the Balkans. Stabilisation and Association Agreements will include economic and financial assistance and

cooperation, political dialogue, approximation with EU legislation, cooperation in other policy areas and free trade. Such agreements should be preceded by asymmetrical trade liberalisation. The European Council urges the countries of the region to work together and with the Union to make a success of the Stabilisation and Association Process.

48. The European Council, mindful of the Tampere European Council conclusions, recalls the upcoming Adriatic Conference, sponsored by Italy in cooperation with the European Union, which will be held in Ancona on May 19-20. It will enhance Adriatic cooperation in the fight against organised crime, smuggling and illegal immigration and will promote cross border cooperation.

49. The European Council urges the Commission to make proposals to ensure fast-track procedures and speedy and effective assistance.

50. The European Council emphasises that in the FRY a democratic, cooperative Serbia, living at peace with its neighbours, will be welcome to join the European family. With that perspective the Union will maintain its action for democratic change in Serbia. Selective sanctions aimed at the regime will remain a necessary element of EU policy as long as President Milosevic stays in power. The European Council appeals to the Serbian people to take their future into their own hands and to reclaim their place in the family of democratic nations. The EU for its part will not only continue to support the democratic opposition, but will also develop a comprehensive dialogue with civil society. Serb NGOs should be encouraged to engage with other NGOs on a regional basis in the framework of the Stability Pact.

51. The European Council urges the Commission and all parties involved, including the Danube Commission, to start immediately on the steps necessary to clear the Danube for navigation by the summer.

52. The European Council supports Montenegro's efforts to achieve democratic reform and economic prosperity. The European Council underlines the urgent need for substantial assistance to Montenegro in order to ensure the survival of democratic government and to avoid another serious crisis in the region. In addition to the EIB study on the possible expansion of its activities to Montenegro requested by the Council, the European Council asks the competent institutions to take without delay the necessary decisions on the funding, within the appropriations available for 2000, of projects, programmes and other forms of assistance which would help to alleviate the immediate financial needs of Montenegro, if necessary by resorting to EU budgetary reserves, as well as macro-economic assistance. In this context, the European Council welcomes the official inauguration of the Reconstruction Agency in Thessaloniki today.

53. The European Council reaffirms its commitment to UNSCR 1244 as the framework for the international community's efforts in Kosovo. It commends the work of UNMIK and KFOR in pursuit of the Resolution's objectives as well as that of the OSCE. Achieving Serb participation in the interim administration and the municipal elections in autumn 2000 will be important steps towards the stabilisation of the situation in Kosovo. Lasting stability in the region can only be ensured taking into account the legitimate interests of the neighbouring countries of the FRY with full respect for territorial integrity and for existing borders.

54. The Union's special responsibility in the region means that it must play the central role in providing international support for Kosovo. It is determined to ensure the success of the international effort in Kosovo. To this end, it recognises the need to provide support in a much more co-ordinated, coherent fashion, and to ensure that the efforts of the Union and its Member States receive appropriate recognition. The EU has already taken the major role in contributing to reconstruction in Kosovo, providing 30,000 KFOR troops, 800 civilian police and 505 million euro funding, as well as leading the economic reconstruction pillar of UNMIK.

55. The international community needs a more coherent and action-oriented strategy for providing economic and political support to Kosovo and the region. The European Council reaffirms the vital contribution of the Stability Pact, under its Special Coordinator and EU Special Representative, in this respect. To strengthen the central role of the EU, the European Council invites the Secretary-General/High Representative, under the authority of the Presidency and the Council, and in full association with the Commission, to ensure the coherence of EU policies towards the Western Balkans, to strengthen the impact of its contribution and to enhance coordination with the Stability Pact and other efforts of the International Community. They should bring forward action-oriented proposals for this purpose at the next meeting of the General Affairs Council. The upcoming Regional Funding Conference is a key moment for the joint efforts of the international community in South Eastern Europe.

IV. RUSSIA

56. On the eve of the presidential election in Russia, the European Council reaffirms:

- the importance of the development of a genuinely effective and working strategic partnership in accordance with the PCA, the EU's common strategy and successive Presidency action plans, so that they can work together in the many areas of common concern, to bring peace, stability and prosperity to Europe on the basis of common values and shared objectives;

- the need to this end for Russia, in regard to Chechnya, to abide by its commitments, in particular:

= to put an end to the indiscriminate use of military force,

= to allow independent investigations of human rights violations,

= to allow the competent international organisations and observers to perform their mission freely,

= to pursue without delay the search for a political solution.

57. The European Council sees the Cooperation Council with Russia on 11 April and the planned EU-Russia Summit as important occasions for the achievement of these objectives. To the same end the European Council mandates the Troika to travel to

Moscow as soon as possible after the election of the new Russian President, to reaffirm to him and his Government the EU's approach to and concerns about a relationship which is so important to both sides.

V. INTERGOVERNMENTAL CONFERENCE

58. The European Council takes note of the progress of the Conference's work as well as the Presidency's intention to present under its own responsibility a comprehensive report to the Feira European Council.

VI. OUTERMOST REGIONS

59. The European Council takes note of the report recently presented by the Commission on measures aimed at implementing Article 299 (2) on the outermost regions and invites it to submit its initial proposals to the Council.

Annex

DOCUMENTS SUBMITTED TO THE LISBON EUROPEAN COUNCIL(1)

- Presidency note on Employment, Economic Reforms and Social Cohesion
Towards a Europe based on Innovation and Knowledge
(5256/00 + ADD1 COR 1 (en))
- Commission report
eEurope – An information society for all
(6978/00)
- Commission contribution
– An Agenda of economic and social renewal for Europe
(6602/00)
- Commission communication on Community policies in support of employment
(6714/00)
- Commission communication: Building an inclusive Europe
(6715/00)
- Commission communication: Social trends: prospects and challenges
(6716/00)

- Commission communication: Strategies for jobs in the information society (6193/00)
- Commission report on economic reform: Report on the functioning of product and capital markets (5795/00)
- Contribution of the Council (ECOFIN) (6631/1/00 REV 1)
- Contribution of the Council (Labour and Social Affairs) (6966/00)
- Contribution of the Council (Internal Market): Cardiff Economic Reform Process: internal market aspects (7130/00)
- Opinion of the Employment and Labour Market Committee (6557/00)
- Presidency report "Strengthening the common European Security and Defence policy" (6933/00)
- Report on the Western Balkans presented to the European Council by the Secretary General/High Representative together with the Commission (SN 2032/2/00 REV 2)
- Draft report from the European Council to the European Parliament on the progress achieved by the European Union in 1999 (6648/00 + COR 1 (gr))

Footnotes:

(1) The preparatory documents concerning employment, economic reform and social cohesion can be found on the Presidency's internet site at: <http://www.portugal.ue-2000.pt/>